FINANCIAL TIMES

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Britain: health service alive but in difficulty, Page 16

World news

Greek President 'will not resign'

Greek President Christos Sartzetakis angrily rejected a suggestion by the conservative opposition that he should resign if they win general elections on June 2.

The opposition denounced as unconstitutional a Greek parliament vote in which Mr Sartzetakis was elected president thanks to an alliance between the ruling Socialists and the pro-Moscow Communist opposition.

The Socialists proposed Mr Sartzetakis as a candidate after an controversial decision not to support the re-election fo President Constantine Karamanlis.

Kabul attack

At least six people were killed in Kabul when bomb throwers broka up an army conscription drive in the Afghan capital and attacked a billiard hall frequented by secret police.

U.S. 'spy' charges

A retired U.S. Navy communications specialist, who had top-secret security clearance, was charged with spying in attempting to pass classified national defence documents to the Soviet Union.

S. Africa 'N-test'

An American anti-apartheid group said it had obtained official U.S. papers indicating that South Africa tested a nuclear bomb in the Atlantic in 1979.

Apartheid change

South Africa, after announcing it will abolish laws banning inter-racial sex and marriage, has decided to scrap another apartheid law which prohibits multiracial political parties.

Brazil strikes spread

A month-long wave of labour strife plaguing cities in Brazil spread to farm areas as sugar-cane cutters and orange pickers in Sao Paulo state stopped work, demanding higher pay.

Manila battle

The Philippine army fought a gun battle with suspected communist guerrillas in a Manila suburb in its first known clash with the New People's Army in the capital city.

Pacific minister

President François Mitterrand promoted his special envoy in New Caledonia, Edgard Pisani, to ministerial rank in charge of the troubled Pacific territory Page 3

Beirut camp flight

Men, women and children fled from fighting around three Palestinian refugee camps in south Beirut as Shia Moslem militiamen tried to flush out Palestinian guerrillas entrenched outside. Page 5

Diamonds hold-up

Robbers escaped with 21 bags of diamonds worth $500,000 after holding up the Antwerp-Brussels mail train near *Duffel*.

Ships pass refugees

A Norwegian charity group reported that about 50 ships refused to stop for 44 Vietnamese boat refugees in the South China Sea before a Norwegian tanker picked them up at the weekend.

French drink less

French people are drinking less alcohol, according to a new study which concludes that changing work habits account for the steady slowdown in consumption. Page 2

Pope tired

Pope John Paul showed signs of fatigue at the last stage of his Benelux tour as be heard in Brussels further calls for liberal reform in the Roman Catholic Church.

Business summary

Icahn in $600m offer for TWA

CARL ICAHN, the Wall Street investor, launched a hostila cash takeover bid valued at $600m for TWA, the fourth-largest U.S. domestic airline, and threatened a proxy battle to unseat the TWA board should his offer be refused.

Mr Icahn, who already owns a 24 per cent stake in the $3.7bn-a-year airline, offered $18 a share for the rest of the common stock.

PEPSICO, U.S. soft drinks group, signed $2bn barter deal with Moscow involving the sale of more Pepsi in the Soviet Union in return for purchases of Russian vodka. Page 6

U.S and the Soviet Union agreed to make it easier to trade between the two countries. The U.S. said it would lift a 34-year-old ban on the import of Soviet furs. Page 3

DOLLAR closed in New York at DM 3.064, SwFr 2.573, FFr 9.3475 and Y250.15. It was firmer in London, closing at DM 3.0670 (DM 3.0340); SwFr 2.5840 (SwFr 2.5625); FFr 9.3550 (FFr 9.28) and Y250.25 (Y249.80). On Bank of England figures, its index rose to 145.4 from 143.9. Page 41

STERLING closed in New York at $1.2743. It fell against the dollar in London to close at $1.2720 ($1.2825). It rose to DM 3.8975 (DM 3.8925); SwFr 3.2875 (SwFr 3.2700); FFr 11.87 (FFr 11.8450), but fell to Y318.5 (Y320). The pound's exchange-rate index fell to 79.5 from 79.7. Page 40

WALL STREET: The Dow Jones industrial average closed 4,82 up at 1309.7, a record. Section III

LONDON shares eased from their morning peaks. The FT Ordinary share index closed up 4.2 at 1,020.2. Gilts also lost ground after early support. Section III

TOKYO shares moved higher triggered by the weaker yen. The Nikkei-Dow market average ended 91.08 ahead at 12,850.18. Section III

GOLD fell $5.75 on the London bullion market to close at $317.50. It also fell in Zurich to $315.25 ($323.75). In New York, the Comex June settlement was $317.95. Page 40

FRANCE recorded a FFr 4.215bn ($441m) trade deficit in April after a FFr 567m deficit in March.

BANK OF CHINA has signed an agreement with Bank of Tokyo for a $2bn syndicated credit earmarked for use in energy, transport and *other modernisation projects*. Page 19

SPANISH unemployment rate rose to 22 per cent in the first quarter, Western Europe's highest. The Finance Ministry said the rate of increase was slowing.

CBS agreed to buy five radio stations from Cincinnati-based Taft Broadcasting for $107.5m; Taft said it would buy five television stations and seven radio stations from Gulf Broadcasting for $755m.

J. SAINSBURY, the UK food group, lifted annual pre-tax profits 30.2 per cent to £156.4m ($196.6m). Page 26; Lex, Page 18

RICOH, one of the world's leading manufacturer of copiers and office equipment, lifted pre-tax profits 9.7 per cent for the year ended March to Y28.9bn ($115.4m) on sales up 16.2 per cent to Y451.6bn. Page 20

FANUC, the Japanese maker of numerically controlled systems for machine tools, achieved an 18.5 per cent boost in pre-tax profits to Y51.93bn ($207.4m) for the year to March. Page 20

SING TAO NEWSPAPERS' board, the Hong Kong group controlled by Miss Sally Aw Sian, called for a suspension in trading of the company's shares without providing any reason for the suspension. Page 19

HOFFMANN-LA ROCHE, the Swiss chemical group, increased its sales by over 20 per cent during the first quarter of this year to SwFr 2.5bn ($987m). Page 20

ESTIMATE FOR FIRST PERIOD CUT TO 0.7%

Washington warns of lagging growth in second quarter

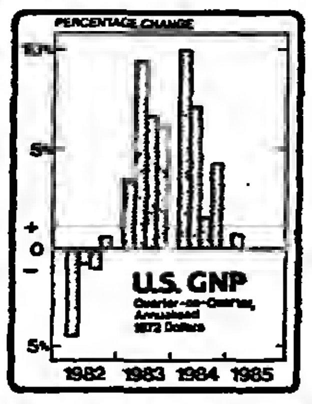
BY STEWART FLEMING IN WASHINGTON

MR JAMES BAKER, the U.S. Treasury Secretary, gave a warning yesterday that U.S. economic growth in the second quarter might be below expectations, after a revised Commerce Department estimate that the first-quarter rise in output was at a meagre 0.7 per cent annual rate.

The department's earlier estimate was of a 1.3 per cent rise in gross national product and Mr Baker conceded that the revised figure was "a good bit slower than we anticipated." Second-quarter growth might also be lower than expected, said Mr Baker, who hinted thet the Administration might soon abandon its *forecast* of a 3.9 per cent growth rate for the year.

Nevertheless, he told the Senate Appropriations Committee that the economy would pick up in the second half of the year. But he refused to be drawn on whether slower growth than expected might add $20bn to $30bn to the federal budget deficit.

The sagging U.S. economy is an ominous threat to President Ronald Reagan, whose political strength has been founded on the strong performance of the economy over the past two years. The President and his Adminstration are already widely seen to recover political momentum after the setbacks suffered during the past month and are facing increased pressures to concede further cuts in defence spending and raise corporate taxes in order to tackle the huge federal budget deficit.



In Congress, where concern about the economic outlook is intensifying, the House of Representatives was yesterday due to start debating its version of the budget resolution. An influential group of moderate Democrats including Representatives James Jones and Richard Gephardt have offered an amentment to the house budget proposal which would impose a minimum tax on corporations and cut the budget deficit by $75bn in 1986 rather than the $56bn proposed in the budget committee's plan.

The revised GNP data were released as the Federal Reserve Board's policy-making Open Markat Committee was meeting in Washington to decide how the central bank's monetary policy should respond in the face of an economy groaning under the burden of import competition, which some economists fear is now threatening to tip the U.S. into recession.

The first-quarter GNP figures present a worrying picture of an economy in which industrial output is stagnating and increases in demand are being met by overseas producers and not contributing to the growth of the domestic economy. The Commerce Department said that most of the increase in na-

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Editorial comment, Page 16; Currencies, Page 41; Stock markets, Section III

UK and France support German high-tech plan

BY DAVID HOUSEGO IN PARIS

FRANCE'S Eureka proposals for increased European collaboration in high technology gained further momentum yesterday with a more positive expression of interest from the British Government than has so far publicly emerged.

As a result, Britain and France are now backing a West German proposal for setting up a high-level group of experts to develop ideas for stepping up high-technology collaboration. The idea is expected to be given formal endorsement by EEC heads of government at their summit in Milan next month.

British thinking on the Eureka proposal was explained in Paris yesterday by Sir Geoffrey Howe, the Foreign Secretary, when be met his French counterpart, M Roland Dumas.

Among other things, Sir Geoffrey was seeking to remove the impression left by President François Mitterrand last week when he said that Mrs Thatcher, the British Prime Minister, was the "most reticent" about Eureka among European leaders.

According to British officials yesterday, the Government's views have developed after the visit to London last week by M Hubert Curien, the Minister of Research and Technology, who had talks with Mr Geoffrey Pattie, the UK's Minister for Industry. Two other senior French missions have also visited London recently.

French discussions with West Germany have been more intensive and will be pursued in Paris today during talks with Herr Hans-Dietrich Genscher, the West German Foreign Minister. The talks are aimed at co-ordinating Franco-German positions in advance of the Milan summit which, in turn, will be preceded by a meeting between President Mitterrand and Chancellor Kohl on May 28.

Sir Geoffrey made clear to the French yesterday that Britain intended to participate in the U.S. Strategic Defence Initiative and did not regard this as incompatible with Eureka.

Rupert Cornwell writes from Bonn: West Germany's opposition Social Democrats (SPD) and the ruling French Socialist party yesterday underlined their common hostility to the SDI programme, which they described as a "destabilising technology," which might lead to an extension of the arms race into space.

Instead, Herr Willy Brandt and M Lionel Jospin, the respective party chairmen, indicated after a meeting in Paris their leaning towards the Eureka programme for European technological cooperation.

The clear-cut rejection of the SD1 by the two leftwing parties contrasts with the uncertainty over the merits of German participation in SD1 research expressed on Monday by Chancellor Kohl at the closing session of a meeting of the North Atlantic Assembly – consisting of parliamentarians from Nato member countries – in Stuttgart.

Ansbacher reveals £31m loss

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

HENRY Ansbacher Holdings, the UK merchant banking group, yesterday disclosed a loss of £31.4m ($39.9m) in the year ending March 31. But it simultaneously announced that its main shareholder, the Brussels-based Pargesa/GBL combine, was to underwrite a £35.6m rights issue that would give it a controlling stake in the group.

The losses, which were much larger than had been expected, stem partly from Ansbacher's ill-fated acquisition last year of Laidlaw Adams & Peck, the Wall Street securities firm it had to resell in January.

But according to a circular sent to shareholders yesterday, many of the group's varied businesses, which included shipbroking and metals trading, also incurred losses.

Shareholders are also advised that the interim profit of £1.35m announced last September "may have been overstated" to the point where there were insufficient reserves to cover the payment of a dividend.

The new management headed by Mr Richard Fenhalls, which took over at the beginning of this year, has also taken steps to rid the group of doubtful debts and clean up its balance sheet.

Loss-making businesses have been sold, and staff and costs reduced.

This action has been undertaken with the *backing of* Pargesa/GBL which last year bought a 29.9 per cent interest in Ansbacher and now intends to draw the group into the network of financial institutions it is developing in Europe and North America.

The rights issue will be on a two for one basis at 50p a share.

Last night, Ansbacher's shares closed at 65p, with a gain of 2p eo the day.

Ansbacher's chief institutional shareholders, which include Grand Met, the Lissamer Group, Touche Remnant and M & G have indicated their support for the reconstruction. Some have agreed to forgo part of their rights in order to enable Pargesa/GBL to acquire them and raise its stake to at least 51 per cent.

The recapitalisation will increase shareholders' funds to nearly £53m and will, Ansbacher claims, put it in a "sound financial position from which to commence the task of rebuilding a successful group around its two core businesses." Those are to be merchant banking, and insurance and shipbroking.

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U.S. sees little hope for early Gorbachev summit

By Reginald Dale in Washington

THE REAGAN Administration has all but abandoned hopes of an early U.S.-Soviet summit, and is resigning itself to a continuing chill in superpower relations, American officials said yesterday.

Washington appears to have concluded that it was over-optimistic in hoping for a quick breakthrough when Mr Mikhail Gorbachev took over as Soviet leader in March, and President Ronald Reagan immediately invited him to a summit meeting in the U.S.

Mr Gorbachev is now thought unlikely to agree to any meeting with Mr Reagan – whether a get-acquainted session or a full-scale summit – until next year at the earliest.

Mr Reagan has repeatedly made clear that he would be ready for a meeting – preferably in Washington – if Mr Gorbachev were to travel to the U.S. to attend the United Nations general assembly in New York this autumn.

Yesterday, however, U.S. officials said that even if Mr Gorbachev were to go to New York, he would probably not meet Mr Reagan. Other officials said that it was in any case unlikely that Mr Gorbachev would visit the UN, as once expected, in September or October.

Although Mr Viktor Afanaseyev, the editor of Pravda, said publicly in April that Mr Gorbachev would visit the UN and might well meet Mr Reagan at that point, U.S. officials say that there have since been no indications that Mr Gorbachev intends to make the trip.

A White House official told the Washington Post yesterday that Mr George Shultz, the U.S. Secretary of State, received "signals" that Mr Gorbachev would not go to New York from Mr Andrei Gromyko, the Soviet Foreign Minister, at their meeting in Vienna last week.

One State Department official said yesterday that the issue of a summit did not even come up directly during the Shultz-Gromyko talks. The Reagan Administration, he added, had "got ahead of itself" in believing that such a meeting had been all but agreed.

Recent exchanges and developments between Washington and Moscow showed that relations were as sour as ever and Moscow did not want to appear anxious to hold a summit meeting, the official said.

Reflecting a widespread view in the Administration, the official said that Mr Gorbachev would want to

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U.S.-Soviet measures to facilitate trade, Page 3; PepsiCo boosts Soviet links, Page 6

Pickens may lose $100m over Unocal

BY TERRY DODSWORTH IN NEW YORK

MR T. BOONE PICKENS, the Texas oil billionaire, has conceded defeat in his bitter takeover battle for Unocal, the Californian oil group, in an agreement that is likely to leave his investor group with losses of about $100m and seriously restrict his future takeover activity.

The setback for Mr Pickens, who had invested $1.2bn in the takeover attempt through his Mesa partnership group, marks the first significant victory for one of the large U.S. oil companies since they became the prime targets of the new breed of Wall Street corporate raiders about two years ago.

Investment bankers also believe that the Delaware Supreme Court decision, which forced Mr Pickens to the negotiating table, is likely to put a brake on the current wave of mergers in the U.S.

"This was a benchmark decision," said Mr Frederick Joseph, the oewly appointed chief executive officer of Drexel Burnham Lambert, the investment bank that had arranged much of the financing for Mr Pickens's Unocal bid. "It will very substantially slow down takeover activity."

The agreement between Unocal and Mr Pickens followed a day of negotiations in Los Angeles in the wake of the court ruling, which gave Unocal the upper hand by saying that the company could exclude the Pickens group from a lucrative share buy-back offer.

Under the terms of the deal, Unocal has agreed to include some 7.7m, or 32 per cent, or the shares of the Pickens group in part of its buy-back of 59.1m of its own shares for securities worth $72 each. The offer was originally made only to shareholders outside the Pickens group in an attempt to wean them away from the $54-a-share cash offer for 64m shares made by Mr Pickens.

Although that part of the agreement would give the Pickens group a profit of around $177m on its shares, it would also yield inferior terms to those of other tendering shareholders, who will receive the premium price for around 38 per cent of their holdings.

However, Mr Pickens stands to run up hefty losses on the other 16m shares beld by his group. The losses will be incurred because the price of Unocal stock is now expect-

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SEC drops plan to curb takeover tactics, Page 18

Swedish banks cut lending rates again

BY KEVIN DONE IN STOCKHOLM

SWEDEN'S commercial banks bowed yesterday in the face of intense political pressure and lowered their interest rates for the second time in less than a week, claiming that they had been made a scapegoat for the dramatic squeeze on consumer spending imposed by the Government last week.

At the same time, Sweden's leading commercial bank published gloomy new forecasts for the development of the country's economy, which is now expected to grow much more slowly than other western countries in 1985 and fall into recession in 1986.

The forecast is in stark contrast to the promising picture of economic growth painted in tha Government's revised budget only four weeks ago.

The banks have come in for heavy criticism from Mr Olof Palme, the Prime Minister, and Mr Kjell Olof Feldt, the Finance Minister, as well as Mr Bengt Dennis, governor of the central bank, for unfairly exploiting last week's hefty increase in official interest rates.

As an important element in the package, the banks were freed for the first time for 15 years to set their own interest rates on lending, and Mr Dennis made clear that he wanted to see "a powerful increase in interest rates through the whole economy" with particular pressure applied to consumer credits.

The banks, which face substantial losses on their big holdings of fixed-rate government bonds as a result of the interest-rate rises, responded by raising consumer lending rates by 3.5 to 4 percentage points compared with the 2-point increase in the discount rate.

The Government, which had been trying to avoid tough economic measures with the general election due in less than four months, immediately went on the attack, led by Mr Palme, claiming that the size of the banks' interest rate increases was unjustified.

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Polish court bars foreign reporters

By Christopher Bobinski in Warsaw

THE POLISH Government has tacitly recognised that the trial of three Solidarity leaders due to start in Gdansk tomorrow will harm its image in the West, and has banned foreign reporters from the court.

This is the first time since martial law was lifted two years ago that a civil court has exclnded the Western Press from a political case and shows how sensitive the authorities have become

Mr Adam Michnik, a dissident intellectual, Mr Wladyslaw Frasyniuk, a senior Solidarity underground leader from Wroclaw, and Mr Bogdan Lis, formerly Mr Lech Walesa's deput from Gdansk, are being tried for trying to provoke unrest and playing a leading role in an illegal organisation. They face up to five years in prison.

All three were freed from detention last July under a political amnesty and met Solidarity underground leaders in January to plan a token national stoppage in protest at food price rises—a stoppage that met with little response.

Mr Jerzy Urban, the government spokesman, said reporters were being barred from the court so that the defendants could concentrate on the proceedings and not on addressing the Western media.

The Republic remains confident in its industrial development plan, writes **Brendan Keenan** in Dublin

Ireland's hopes stay pinned on electronics

THE RECENT problems of the electronics industry worldwide caused shivers of apprehension in the Irish Republic, where electronics companies form the backbone of foreign industrial investment in the last decade.

Some of the U.S. companies, such as Apple, Digital and Verbatim, which have had difficulties of one kind or another, are among the leading investors and employers in Ireland.

Officials of Ireland's Industrial Development Authority (IDA) are convinced that their basic strategy of building up a mix of electronics companies is a sound one, but there have been casualties.

Atari in Limerick and Storage Technologies in Dublin closed their plants earlier this year with the loss of more than 500 jobs. A project for the development of computer-aided design systems by Calma of the U.S. fell through. More alarming, perhaps, is the layoff by Mostek of a quarter of the workforce at its Irish plant which assembles and tests integrated circuits.

Falling world demand for semiconductors also postponed, at least, what was to have been the coup of the year for the IDA: a decision by Mostek to locate a chip fabrication plant in Ireland. This would have followed the announcement of a I£170m (£136.6m) chip manufacturing plant south of Dublin to be built by Advanced Micro Devices. The IDA believed these investments would have established the Republic as a serious rival to Scotland for such plants.

One key protection against the vagaries of international business is the fact that many Irish plants represent the only EEC operations of the parent company. This is true of companies such as Apple and Digital, which supply their European markets from Ireland.

"Basically, if they want to stay in Europe, they have to stay in Ireland," says Mr aMrtin oLwry of the IDO's electronics division.

The IDA is aware of the vulnerability of companies in such a highly competitive industry and knows that closures are inevitable. "A strategy which did not allow for failures would not be a strategy at all," says Mr Lowry. hTe IDA believes it has a reasonable mix of high and low-risk companies.

hTe "safest" companies are those suppling the industry's capital goods such as integrated circuits and control equipment. At the other end of the spectrum come consumer products and memory devices, where demand can swing alarmingly and product obsolescence is high.

The Atari failure was a classic example of the high-risk market, although the fact that the plant was closed with only 40 minutes notice, left a more-than-usually hitter taste.

The authority also tries to ensure that plants which locate in Ireland are upgraded so as to make them an essential part of the parents' operations: many are now run by Irish managers who, it is generally believed, will fight harder to locate key functions in Ireland. The first of these is usually the power to purchase components, which gives the plant a degree of antonomy from head office.

It is vital for the Irish economy that the IDA gets it right. Electronics now accounts for 30 per cent of total manufacturing and 10 per cent of employment. A collapse would be disastrous for the economy hut it is also true that, even if things go well, the ambitious original target of doubling present employment to 40,000 is unlikely to he attained in the foreseeahle future.

The IDA will be looking for companies with strong financial backing to withstand the competitive pressures. Mostek, despite the recent difficulties, is regarded as a good catch because it has the powerful United Technologies group behind it. Japanese groups, such as Fujitsu and NEC, are in the volatile memory devices sector, but they are regarded as having the ability to stay the course.

Officials such as Martin Lowry believe the new entrepreneurs of the next 10 years will be in software development rather than equipment. IDA formed its own software company last year to help build up Irish expertise in the industry. IBM is unlikely to manufacture in Ireland, but it is expected to expand its software operation, which presently employs 65 people.

The other main plank of industrial policy, as outlined in a recent White Paper, is the development of indigenous firms. No more than three electronics companies have developed to any size so far but the IDA has targeted about 12 small companies with potential and hopes to build some of these up in the next 10 years.

"If we do not have a significant indigenous sector in the next 10 years, the policy as a whole will have failed," says Mr Lowry. In the meantime, the Irish will keep their fingers crossed that none of the big boys succumb to the chilly winds now blowing in Silicon Valley.

No IDA policy change in Hyster decision

OFFICIALS OF Ireland's Industrial Development Authority (IDA) stressed yesterday that there had been no significant change in the country's industrial policy in the wake of the decision to turn down an 800-job project by the U.S. Hyster Corporation, writes Brendan Keenan in Dublin.

The Government rejected the plan because it felt that the company's own investment of around I£1m (£806,000) was inadequate against a I£14m total project cost. Hyster moved the factory to the Netherlands after rejecting an Irish government request that it pnt np an extra I£1m.

The IDA pointed out that all projects with a cost in excess of I£2.5m have to go to the Government for approval. The Hyster project is the first one to have been turned down after winning IDA approval, however.

At the weekend Dr Garret FitzGerald, the Irish Prime Minister, said previous administrations had given the IDA too much of a free rein and it was up to the Government to decide what industrial policy would be and the input required from foreign companies.

The feeling in Dublin is that, despite the tough line from Dr FitzGerald, the Hyster case was exceptional. The company has a reputation for tough bargaining with industrial development agencies and for trading one off against the other.

The Irish cabinet may have felt that the taxpayer had already paid too much for Hyster's existing facility in Dublin. This was snatched from under the noses of Northern Ireland'a Industrial Development Board, during the previous Fianna Fail administration.

The terms of that deal have never been disclosed but, given the considerable incentives which Northern Ireland is willing to offer to major foreign investors, they are likely to have been generous to Hyster.

Firm line by employers on Italian pay index

By James Buxton in Rome

ITALIAN EMPLOYERS are ready to consider any serious proposal on how to avoid a potentially damaging referendum on wage indexation, set for June 9, according to Sig Luigi Lucchini, president of Confindustria, the main employers' organisation. But he put forward no new suggestion for an agreement between Government, employers and unions which would make the Communist-sponsored referendum unnecessary.

Instead, he reiterated at Confindustria's annual meeting here that the employers had made their own proposals on a thoroughgoing reform of the indexation and pay structure as long ago as last October. The unions, divided among themselves, had not yet made an adequate response, he said.

This evening Sig Gianni de Michelis, the Minister of Labour, is to meet unions and employers separately to try to find common ground. The referendum has been called to decide whether four points cut from the *scala mobile* index last year as an anti-inflation measure should be restored.

Sig Lucchini's speech, to a packed audience which included 11 government ministers and the leaders of all Italy's main private sector companies, reflected strikingly the confidence which Italy's industrialists feel abont their prospects, despite serious problems of wage costs and the failure of the Government to cut its spending.

He drew considerable satisfaction from last week'a local elections in which the government parties advanced and Communists fell back. The electorate, he said, had "punished those who could only see the crisis as a means of arousing protest or rebellion."

Sig Lucchini reminded his listeners that, in the absence of a voluntary agreement on wage indexation and an unsatisfactory referendum result, the employers would give notice that they would stop paying *scala mobile* wage increases altogether. Though Sig Lucchini did not say so, this move would be aimed at enabling the employers to renegotiate the wage indexation system on something close to their own terms.

Sig Gianni de Michelis: separate meetings

French drink less alcohol

By David Housego in Paris

FRENCH ALCOHOL consumption is on a long downward slide, though the average Frenchmen still drink more than other Europeans.

These findings emerge from a study by Insee, the official statistics office, pnblished yesterday whch concludes that changing work habits account for the steady decline in consumption since the early 1960s. Before then, French industrial and agricultural workers drank large quantities of cheap table wine to give them both calories and energy.

From a peak in 1963 of 25 litres for every person above the age of 14, consumption has fallen by about 0.23 litres a year thus bringing France in line with the drinking habits of Spain or Portugal.

Measured on the basis of consumption per head of population, France still retains the lead in Europe. Each Frenchman swallows 15.5 litres of alcohol a year, compared with 13.5 litres in Portugal, 12.8 litres in Spain and 11.7 litres in Hungary.

The Insee study confirms that while less cheap table wine is being drunk, the French are drinking more beer and spirits, and more soft drinks.

Beer consumption, for instance, has doubled from 12m hectolitres in 1955 to 25m in 1980.

Dutch poll shows support for Labour increasing

BY LAURA RAUN IN AMSTERDAM

THE DUTCH opposition Labour Party would gain an extra 16 parliamentary seats if elections were held now, according to an opinion poll conducted by the opinion research bureau of Lagendijk.

This would put the Socialists just 13 aeats short of a parliamentary majority, while the centre-right coalition Government's majority would vanish. The next general election in the Netherlands is due in exactly a year'a time.

Observers believe that Christian Democrat voters, particularly older ones—are switching to the Socialists in protest against the current administration's austerity policies. Opposition to the Government's decision to deploy cruise missiles is also thought to play a role.

Catholics and Dutch Reformists, who traditionally have voted Christian Democrat, are abandoning their party faster than is being compensated for by new support from the small right-wing Christian parties, the poll found. The right-wing Liberal Party, a member of the coalition, did better.

'Confidence in Community at stake' in Adams case

BY RAYMOND HUGHES IN LUXEMBOURG

CONFIDENCE in the European Community is at stake in the £500,000 damages claim brought by Mr Stanley Adams against the Commission, the European Court in Luxembourg was told yesterday.

Mr David Vaughan QC, for Mr Adams, told the 11 judges: "To many, the Stanley Adams story is a symptom of the weakness of our Community if it subordinates the interests of the individual to the interests of the state and great companies."

In his unprecedened breach of trust action, Mr Adams accuses the Commission of betraying his identity as the source of information about illegal activities of Hoffman-La Roche, the giant Swiss drugs company, which led to Roche being fined for breaches of EEC fair trading laws.

Mr Adams blames the Commission for his subsequent arrest and imprisonment in Switzerland for economic espionage arising out of his disclosures of price-fixing by Roche. He argues that the Commission failed in its legal duty to keep his identity secret.

The Commission, which denies 'disclosing Mr Adams identity, is attempting to block his claim procedurally by arguing that he did not start it within the time limit imposed hy Community law.

Mr Vaughan said that if that argument succeeded in preventing the court ruling on the merits of Mr Adams's case, it would be tragic—not only for Mr Adams. "Legalism would have triumphed over justice. That cannot be what the founding fathers of our Community intended when they planned the Commnnity."

He said that Mr Adams could not have started his claim within the time limit argued for by the Commission because by that time all the damage to him had not come to light and he hed not then been aware of all the facts giving rise to the Commission's liability.

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Bonn plans urgent action to tackle unemployment

BY RUPERT CORNWELL IN BONN

WHILE THE opposition Social Democrats (SPD) put forward their own five-point plan to create new jobs in West Germany, the Bonn Government has confirmed that *it plans emergency action shortly* to tackle unemployment, now standing at 2.3m or 9.3 per cent of the workforce.

The hope, as expressed by a government spokesman, is that any measures – whose shape remains unclear – can be fitted into the draft *1986 federal budget*, which is due to be settled by the start of July.

However, the spokesman indicated that a more vigorous strategy against unemployment – the high level of which is held to have been a key ingredient in the ruling Christian Democrat Party's crushing defeat in North-Rhine Westphalia 10 days ago – did not imply any basic shift in policy away from reducing the federal spending deficit and cutting *state* intervention.

Just before the severe state election setback in North-Rhine Westphalia, the Finance Ministry signalled that *it hoped* to hold the 1986 deficit to around this year's planned level of DM 25bn ($8.25bn), despite activation of the DM 11bn first phase of a planned DM 20bn tax-cuts package in 1986 and 1988.

Since then, the Government has refused to change course, despite *calls from both* the *smaller* Free Democrat (FDP) und conservative CSU members of the centre-right coalition – as well as industry – that the entire package be pushed through as one next year.

The demands reflect not only the *fear* that a failure to make inroads into unemployment could cost the Government the next federal election in February 1987, but also that a *slowdown in the U.S.* and a weakening dollar could hit German exports, *hitherto* the driving force of an economic growth which even so is only expected to reach 2.5 per cent in 1985.

The remedies proposed by the Social Democrats yesterday were predictably more sweeping. They include the generation of DM 18bn of extra resources for environmental projects to create new jobs. The money could come from higher gas, electricity and fuel charges.

The SPD also wants a new state and federal programme to reduce youth unemployment; *steps to stimulate* both public and private sector investment; and a less restrictive financial policy at Community level.

The suggestions were *swiftly* dismissed by the Government last night, however. Herr Matthias Wissman, the economics spokesman of the CDU/CSU, called them "old ideas dressed up in new clothes," which would merely push up prices, interest rates and public borrowing and thus harm the prospects for reducing unemployment.

Luxembourg move may influence satellite TV

BY DAVID MARSH IN PARIS

THE FORMER Prime Minister of Luxembourg, M Pierre Werner, was yesterday elected chairman of the grand duchy's broadcasting company, Compagnie Luxembourgeoise de Telediffusion (CLT), in a *move* which could influence complex power struggles taking place over the future of satellite television in Europe.

With French interests owning a significant minority shareholding in CLT, the French Government had supported the choice of M Werner. But it remains to be seen whether CLT, with which France has been in long-standing contact about developing its television satellite planned to be launched next year, will now be more compliant with the wishes of the authorities

M Gaston Thorn, *former* head *of* the EEC Commission and the preferred candidate of the Belgian Bruxelles-Lambert group which is CLT's controlling shareholder, was defeated in his bid for the chairmanship at yesterday'a board meeting. However, he was appointed vice-chairman and managing director, indicating the board's preference for a political compromise.

U.S.-Soviet measures to make trade easier

By Patrick Cockburn in Moscow

THE U.S. and Soviet Union have agreed to make it easier to trade between the two countries, Mr Malcolm Baldrige, the U.S. Commerce Secretary, said yesterday after two days of talks here.

Market access for exports ia to be improved, and the U.S. said it would lift a 34-year-old ban, *introduced* during *the* Korean War, on the import of Soviet furs into the U.S.

The agreement is e symbol of e desire on both sides to improve political relations but ia not likely to increase trade significantly.

Measures to be taken by the Soviet Union include a promise to ensure that foreign trade organisations take bids from U.S. companies seriously, and to make prodnct promotion *easier. The joint U.S.-Soviet* Commercial Commission will bave a subcommittee to discuss U.S. projects in tha Soviet Union, and American and Soviet officials are to discuss a new maritime egreement.

Three main obsteclas atill impeda a significant expansion of trade: *Soviet lack* of *U.S.* most favoured nation status, export-import credits, and the U.S. embargo on high technology exports to the Soviet Union. Moscow also says it wants a guarantee that contracts signed by U.S. companiea will he bonoured.

Last year the *U.S.* exported goods, mostly grain, to the Soviet Union worth $3.3bn and took imports worth only $300m.

The overall significance of Mr Baldrige's visit, the first meeting of tha Commercial Commission since 1978, is that it produced gestures of goodwill after a month in wbich relations between the superpowers bave grown more bostile.

Remarks *made* by *President* Ronald Reagan during his visit to Western Europe earlier in the month have been heavily attacked in the Soviet Press

The Soviet Union bas still not made it clear that Mr Mikhail Gorbachev is going to New York for the opening of the UN General Assembly *later in* the year. Mr Baldrige reiterated yesterday that both leaders favoured a meeting hut a time and place had still to be decided.

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Europe looks for joint stance on Star Wars

BY QUENTIN PEEL IN BRUSSELS

EUROPEAN DEFENCE ministers in Nato's Euro-group yesterday renewed their efforts to find common ground on tha U.S. Strategic Defence Initiative (SDI), the ao-called Star Wars project, and on the finances available for Nato's conventionat armoury, before meeting Mr Caspar Weinberger, the U.S. Defence Secretary, today.

The subject of shortcomings in the alliance's conventional defence capacity is expected to dominate the two-day meeting of the Nato Defence Planning Committee beginning in Brussels today. But the U.S. is also pushing for an early European response on the SDI, as well as support for renewed *investment* in *chemical weapons*.

A key issue at the informal talks of the Euro-group yesterday, which will have to be spelt out in the defence ministers' formal guidance for national defence spending plans this week, was the financial targets for the coming years.

The present target of a 3 per cent real growth rate in defence spending has proved beyond the budget capacities of many member states, although Nato commanders regard it as inadequate in tha light of the conveotional military advantage of the Warsaw Pact forces.

Natn officials in Brussels will be presenting reports to the meeting on the weaknesses of the conventional forces of the alliance, including its ability to sustain a conventional defence with adequate supplies of ammunition and equipment, the quality of its reserve troops and their training, its infrastructure and bow wall its defence installations can survive atteck.

The ministers will be considering a plan of action setting prioritiea for tackling those problems, althougb their discussion will inevitably be dominated by the question of providing adequate finance.

Tbey *will also be presented* for the first time with a long-range assessment of military needs over the next 20 years, prepared by the military committee of Nato. This "conceptual military framework" continues to emphasise the danger of the Soviet Union launching an overwbelming conventional attack to which the Nato allies would be forced to reply with *nuclear weapons*.

Nato officials are concerned that the two-day meeting ehould not be sidetracked by the current controversy over the *SDI* research programme and whether the European countries should formally participate.

However, this was an important subject of discussinn at last night's dinner among the European ministers, uncertain if they would be asked for further endorsement by Mr Weinberger at the *full* ministerial meeting.

The Euro-group ministers, who include all the European Nato members except France *and Iceland*, were also expected to discuss the progress last week in Rnme towards agreements on production of a new European jet fighter aircraft.

MR CASPAR WEINBERGER gazed long and hard over the wall into East Berlin yesterday and accused the Sovlet Union of mnrdering Major *Arthur Nicholson, the U.S.* officer shot in March by a Soviet guard in East Germany, writes Leslie Colitt.

East German border guards in watchtowers on desolate Potsdamer Platz, the pre-war beart of Berlin, peered back through binoculars and shot rolls of film of Mr Weinberger. Contact with the "enemy" was redneced to ogting at several bundred metres amid the strictest security.

He said later that a nation such as the Soviet Union which was capable of shooting Maj Nicholson and refusing to apologise had "gone *astray." Ho met the major's* widow and reviewed U.S. troops in the city during his six-hour stay.

At the start of his visit to West Berlin the East German news agency said that reports in the Western media of an escapee shot dead at the Berlin wall were "lies from A to Z." It claimed that an East German hunting party shot a deer and a boar near the border. West Berlin and West German newspapers have published eyewitness accounts by West Berliners of a lifeless body under a tarpaulin being carried away by East German border guards.

Walker acts to head off EEC coal plans

BY MAURICE SAMUELSON

MR PETER WALKER, the UK *Energy Secretary*, paid e *flying* visit to Brussels yesterday to warn European Commission officials against proposals to impose a succession of tongh five year plans on the British coal industry in order to reduce both jobs and production levels in en attempt to make it competitive.

He told the Energy Commissioner, M Nicholas Mosar, that while Britain shered the EEC'a ultimate elm of making the coal Industry profitable, the British peopla and Parliament would so strongly resent the industry being run from Brussels that it would be counter-*productive*.

In particular, Britain objects to the demand that all details of financial ald to the coal industry should be submitted to the Commission before it is antborised by tha British Parliement.

EEC Commissioners next *week* are due to *discuss* coal production in the Community after the end of this year wben the current 10-year authorisation for subsidising it expires. Having taken a strong lina against support for shipbuilding and steel over the past four years, *Brussels* officials have been urging a firm target date *for the final removal of sub*sidies to coal.

Initially, the officials proposed that coal production after the end of this year ehould be forced to become competitive in two five-year phases. In the first five years jobs would be reduced from 435,000 to 290,000 and output cut by 15 per cent through colliery closures. At the end of the second period, virtually all subsidies would have disappeared.

Following the angry response by West Germany and Britain, it is understood that all figures bave now been dropped from the proposals and, with the *British miners' strike fresh* in their minds, the officials have acknowledged tha difficulties which migbt be caused

In the face of Mr Walker'a strong protests, M Mosar also seemed ready to replace the five-year plan by shorter periods, possibly of a year or *two, and tn permit some forms* of aid, including deficit grants.

However, Britain's still objects fiercely to wbat it seems as the ambitions of *Brussels* to take control of a coal industry which is bigger than the combined coal sectors of the rest of the Community.

Steelmakers want long product curbs ended

BY OUR BRUSSELS STAFF

INDEPENDENT steel prodncers in the European Com*munity yesterday* urged a rapid phasing-out of production controls on long products after the end of this year.

But they acknowledged it would take longer to bring the free market back for flat products.

The European Independent *Steelworks Association* (EISA), which groups together smaller private - sector producers accounting for soma 10 per cent of total EEC steel production but around a half of long products outpnt, was resuming its campaign for the removal of artificial distortions in the steel market.

It is seeking to influence the shape of the steel market after the deadline of December 31 1985 for the elimination of subsidies and the lifting of production quotas and minimum prices.

According to Mr Pol Boel, EISA president, the restructur*ing process among the* big subsidised producers has not gone far enough for the quota arrangements on flat products to be lifted. He expected that, despite the deadline, subsidies would continue to be paid to producers in France, Italy, West Germany and Belgium.

The phased approach to tha lifting of controls has also been put forward by the British Iron and Steel Consumers Council, wbose views are broadly shared by other EEC steel user bodies.

The European Commission itself is now suggesting that the 1985 deadline may be more elastic than the political declarations which set it. Mr Karl-Heinz Narjes, the commissioner of industry, said last week a transitional period would probably be necessary.

France recalls Pisani from New Caledonia

By David Marsh in Paris

FRANCE YESTERDAY replaced M Edgard Pisani as special envoy to the troubled Pacific territory of New Caledonia with M Fernand Wibaux, currently ambassador to Lebanon. M Pisani has been appointed Minister in charge of New Caledonia, and has flown back to Paris from Noumea, the territory's capital.

M Pisani's policies have been strongly criticised by the French opposition in recent months. Formerly the EEC's Commissioner in charge of development and Agriculture Minister under President Charles de Gaulle, he has been condemned by pro-French settlers on the islands as allegedly favouring the teritory's independence movement.

His permanent recall to Paris had been expected following the *Government's* tougher policies over New Caledonian violence in recent months and its decision to delay the planned referendum on independence until after next year's general election.

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Israeli anger grows over release of convicted terrorists

BY DAVID LENNON IN TEL AVIV

A RISING clamour of criticism and protest swept through Israel yesterday over the decision to exchange over 1,150 Palestinian prisoners for three Israeli soldiers held by a PLO splinter group since the invasion of Lebanon in 1982.

Public anger focused on the agreement by the Government to allow hundreds of Palestinians, convicted of terrorist attacks in which many Israelis were killed, to return to their homes on the occupied West Bank and Gaza Strip.

"I don't know how to explain to my boys that the terrorist who killed their father is walking around free today," protested Mrs Dorit Rosenfeld, whose husband was murdered on the West Bank three years ago.

Mr Yitzhak Rabin, the Defence Minister, rejected the criticism. "The price is heavy. But we have always done all we could to return soldiers taken captive. If it were your son being held captive, what would you say if I were not to dn all I could to bring your son home?"

Jewish settlers from the West Bank went on hunger strike outside the Knesset to seek the parallel release of the group of Jewish settlers convicted or on trial for attacks nn Palestinians on the West Bank.

Mr Yitzhak Shamir, the Deputy Premier, and other leaders of the right-wing Likud issued similar calls. But Mr Menahem Begin, the former Likud Prime Minister, said "It is not good to link together" the release of the Israeli POWs with the Jewish terrorist underground case.

The Prime Minister's Office refused to comment on the proposal to pardon the Jewish terrorists. But this and the prisoner exchange will be debated in the Knesset next week at the request of a number of members.

The danger of increased violence by the Jewish settlers was underlined by the remarks yesterday of one of their leaders, Mr Elyakim Haetzni. "We shall deal with them much more harshly than before this calamitous event."

The Japanese ambassador formally protested to the Foreign Ministry about the release of Mr Kozo Okamoto, a Japanese Red Army member who was part of a group which killed 26 people at Ben-Gurion airport in 1972.

Tigreans leave camps in Sudan

By John Murray Brown in Khartoum

REFUGEES from camps in eastern Sudan are returning home in large numbers. In the past two weeks 38,000 Tigreans have begun the 50-day trek back to their villages in northern Ethiopia, and a further 12,000 are about to leave, according to Rest the Tigrean agency co-ordinating the operation.

Rest is saying it is the reports of good rains in Tigre which has prompted this massive spontaneous repatriation.

Rest's plan was that only heads of families would go back but it is clear that whole families are leaving. Many are in a poor state of health. Mr Dan Connell, an American who has worked in Tigre, says that on evidence of past migrations he expects a 50 per cent survival rate.

The United Nations High Commission for Refugees is also confused. "We don't pretend to understand this phenomenon," says Mr Pierce Gerraty, the director of UNHCR in Khartoum. At the end of April UNHCR were still forecasting for an influx of 60,000 Tigreans. New contingency plans are being put into effect should the departing Tigreans turn back and become refugees a second time.

Mervyn de Silva in Colombo reports on moves to end the country's crisis

Massacre jolts Sri Lankans into action

THE MASSACRE in Anuradhapura, which Sri Lanka's parliament will debate tomorrow on an Opposition request, has stunned the Sinhalese public, jolted the Government, re-activated a long-dormant opposition and set in motion political trends that may open a new phase in the country's crisis.

Mr Jayawardene: need for discipline in the army

The most interesting development is the emergence of influential Buddhist clergy as active intermediaries, but the most puzzling aspect is the reaction of Madras-based separatist rebel groups. All of them have disclaimed responsibility and many have condemned the cold-blooded terrorist attack.

On May 14, guerrillas disguised as soldiers hijacked a bus at the ancient Buddhist shrine in Anuradhapura; shooting at random, they killed 145 people, mostly Sinhalese.

State radio has broadcast a speech by President Junius Jayewardene twice and the island's two television stations have announced that the President will appear on prime time tonight. His speech at the opening of a suburban police station was obviously "an address to the nation."

Mr Jayewardene said: "It is reported that the Anuradhapura attacks were acts of revenge for the killing of civilians in the north by security forces during the last few months. If civilians have been deliberately killed, it is wrong and unproductive. The security forces are trained to follow commands issued by their superiors."

After a detailed account of the terrorist operation in Anuradhapura, Mr Jayewardene dwelt at length on the need for discipline in the army and on the role of the security forces in a democracy, questions which are clearly causing deep official concern and anxiety.

"In a democracy, the security and administrative services come under the control of the political leaders elected by the people. When such leaders are not elected by the people but have taken authority by force and keep it by force, it is a dictatorship. I will never adopt such an attitude nor will this Government allow that to happen. That is why, in the direction of this war, orders are ultimately given by elected leaders, whoever may be in the seats of power," said Mr Jayewardene.

A few days earlier, a Sinhalese major shot dead a Sinhalese corporal who had gone beserk and killed six Tamil refugees. The officer corps is well-trained and professional, but the average soldier is a raw village youth who has beeo asked to fight an unconventional war in alien terrain and not always with the best weapons.

The Government's most notable achievement has been that, despite uninterrupted terrorist attacks and a rising death toll of service personnel, there has been no Sinhalese backlash for nearly two years. The massacre in the holy city of Anuradhapura, during which a monk and three buddist nuns were killed, had all the ingredients necessary for widespread riots in the Sinhalese south. There were none.

Paradoxically, this has worried the Government: is the seething mass anger taking an anti-government turn? Dr Ananda Tissa de Alwis, State Minister, said: "Forty-five per cent of the people opposed the Government, right or wrong, and this percentage would like to see the Gnvernment topple."

The Prime Minister, Mr Premadasa took the same line: "It was suicidal to say that the misfortunes of the Government would be the good fortune of its opponents."

The Anuradhapure attack has made the evident ineffectiveness of the counter-insurgency operation a source of mounting Sinhalese discontent.

However, influential sections of the Sinhalese elite have also beeo jolted into awareness of the urgent need for talks with the expatriate Tamil groups and India. Since the collapse in December of the all-party conference, these lines of communication have virtually been closed, with the Government adopting the military option more firmly.

Foremost among these opinion-making groups is the Buddhist clergy, who seem to think that enough is enough and war is too serious a business to be left to the generals or the oGvernment.

The Maha Sangha (higher clergy), led by the resepcted Asgiriya Mahanayake, took the initiative of summoning representatives of all parties to a conference in Kandy. hWile the chairman of the ruling UNP wanted time to consult his executive council, four other parties responded.

The Oppositinn, with a feeble caucus of 14 MPs facing a solid UNP phalanx of 140 and a Government with a six-year extension after the controversial referendum of December 1982, had begun to live with the idea of a virtual one-party rule. Now it has spotted an opening.

The Kandy conference has proposed an advisory committee on national security composed of representatives from all parties, a renewed effort to reach a majority Sinhalese agreement on concessions to the Tamils, and talks with India, the Madras Government, and all expatriate Tamil groups, including the young militants. A little light has suddenly appeared at the end of the tunnel.

Shops in Jaffna closed and many people stayed off work yesterday following a call by students for a strike against army harassment of civilians, residents said, Reuter reports from Colombo.

Most buses stopped running and about 200 people also observed a fast in two Hindu temples in the northern town in response to the strike call, they said.

The protests followed reports by residents that about 60 civilians, mostly Tamils, were missing and feared dead following a sweep through eastern areas of the country at the weekend by commandos. Military and civilian authorities have denied the reports.

Palestinians under seige in Beirut refugee camps

BY RICHARD JOHNS IN BEIRUT

PALESTINIAN fighters were still doggedly holding out against the Shi'ite Amal militia, assited by Lebanses army units, in two of three refugee camps that have been under heavy seige on the outskirts of Beirut since Monday morning.

Together with units of the mainly Shi'ite Lebanese Army 16th brigade, Amal eppeared to have brought the Sabracamp under control, though some pockets of resistance there were hampering operations by Amal against the other two camps.

Armed Palestinian elements were stoutly resisting heavy fire from mortars, rocket-propelled grenades and heavy machine guns—and replying in kind—in the Chatila camp, near Sabra, and also the bigger Bourg al Brajneh settlement near the international airport, where the main guerrilla strength is believed to be.

The guerrillas are mostly loyal to the mainstream Palestine Liberation Organisation led by Mr Yassir Arafat. But even his opponents seem to have forgotten their differences and joined forces to repulse the Amal assault in what, it seems, may be a fight to the finish despite at least seven attempts at a ceasefire.

The battle is proving ooe of the bloodiest single engagements since civil war broke out just over 10 years ago. Earlier yesterday police reported casualties et 88 dead and 392 wounded. Taking toll of Monday's conflict, Amal acknowledged 32 of its men killed and another 130 wounded while the Palestioian spokesman gave for his side 22 fatalities and 82 wounded. The Gaza hospital at Sabra was hit in the fighting and rendered inoperative.

Since early this year the mainstream PLO has been sending money into Lebanon to sustain and arm Palestinians who filtered back to Lebanon after their expulsion in the wake of the Israeli invasion of 1982.

In doing so, they have, ironically, boosted the country's dwindling foreign exchange reserves and helped improve the Lebanese pound's sagging exchange rate.

Commercial bankers put the inflow et no less than \$20m a mooth and perhaps more than \$50m.

Leading members of Amal implied yesterday that the confrontation with the Palestinians had the blessing of the Syrian regime of President Hafez al Assad, recognised as ultimate arbiter of Lebanon's fortunes, which is ruthless in its commitment to destroy Mr Arafat and the mainstream PLO in favour of its own proteges.

Peking to ratify agreement over Hong Kong's future

BY DAVID DODWELL IN HONG KONG

THE SINO-BRITISH agreement on the future of Hong Kong after 1997 will be ratified in Peking next Monday, it was disclosed yesterday.

A two-month dispute over membership of the joint liaisoo group, the body intended to ensure a smooth transfer of power, has also been resolved. Mr Eric Ho, who is ethnically Chinese, and Hong Kong's Secretary for Trade and Industry, will be part of Britain's team despite opposition from Peking. He has been given full British citizenship for the purpose.

Settlement of these outstanding issues has been finely timed ahead of a highly publicised visit to the UK at the beginning of June by Mr Zhao Ziyang, the Chinese Premier. From London Zhao will visit a number of other European countries.

Agreement over membership of the joint liaison group should have been reached over two months ago. However, Peking has consistently nbjected to Britain's proposal to include Mr Ho in its team. After much fruitless argument, Whitehall came to the conclusion that the only way to keep Mr Hn in the team was to make him a full British citizen.

British officials insisted Mr Ho be on the group because of his knowledge of Hong Kong's involvement in international arrangements such as the General Agreement on Tariffs and Trade (Gatt) and the Multi-fibre Arrangement (MFA)—which are likely to be an early focus of attention for the joint liaison group.

Leading Britain'e team will be Mr David Wilson, the Assistant Undersecretary of State at the Foreign Office who headed Britain's negotiating team in Peking for the final difficult stages of drafting the Sino-British agreement. With him and Mr Ho will be Mr John Boyd, political adviser to the Governor in Hong Kong, Mr Tony Galsworthy, head of the Hong Kong desk in Whitehall, and Mr Peter Thomson, head of Chancery in Britain'a Embassy in Peking.

The Chinese team will be lead by Ke Zaishuo, head of the recently established Hong Kong and Macao Affairs Office in Peking'a Ministry of Foreign Affairs. With him will be Zheng Weirong, head of the First Department of the Hong Kong and Macao Office answering to the State Council in Peking, and Ye Shouzeng, a member of the same office. Qiao Zhonghuai, deputy secretary general of the New China News Agency in Hong Kong, and Chen Ziying, a councillor of the Chinese Embassy in London, make up the rest of the Chinese team.

The group will meet first in London, probably in July. It will then meet about six times a year, between London, Peking and Hong Kong. From 1988, its main base will be Hong Kong. It will continue meeting until the year 2000.

Sabah funds probe ordered

BY WONG SULONG IN MALAYSIA

THE newly-elected Government in the oil-rich East Malaysian state of Sabah has announced a commission of inquiry tn investigate alleged misuse of more than US\$130m (£103m) of state funds by the previous administration.

Datok Joseph Pairin Kitingan, the chief minister, whose party Bersatu Sabah swept intn victory in last month's polls, alleged that the previous administration under Datuk Harris Salleh did not get approval from the State Essembly in granting funds to 12 projects.

Datuk Pairin said the previous government had deposited the mnney in a bank, which subsequently gave loans tn companiea controlled by leaders of the former ruling Berjaya Party.

He claimed that the bank lent more than US\$25m to a company owned by a bank director and Berjaya Party leaders, and this contravened the Banking Act.

FOCUS ON OVERSEAS INVESTMENT AND CAPITAL EXPORT

CANON: Looking at the Future

By Richard C. Hanson

Canon Inc. prides itself in having created an extensive worldwide sales and customer service network, for products ranging from high-quality cameras to office equipment. Canon now is the biggest quality camera maker, and one of the largest makers of copying machines.

The company's strategy is to expand its overseas production capabilities, and eventually to add research and development in each of the markets where its products are in demand. That effort can be seen clearly in Europe, whose diversified markets present any number of challenges.

Canon's President, Mr. Ryuzaburo Kaku, who recently was awarded the Legion d'honneur by the French government for his efforts, recently discussed Canon's prospects along with the president of Canon Europa, Mr. Takeshi Mitarai, and Mr. Tsuneo Enome, president of the company's two European manufacturing companies, Canon Giessen, in West Germany, and Canon Bretagne, in France.

Left to right: Takeshi Mitarai, President of Canon Europa N.V.; Ryuzaburo Kaku, President of Canon Inc.; Tsuneo Enome, President of Canon Giessen GmbH and Canon Bretagne S.A.

Hanson: Canon's overseas sales have risen to about 70% of the total. How does the company view its "internationalisation" from now on?

Kaku: Basically, our policy has been to sell wherever there is demand for our products. We looked at the export market from the very beginning. What we are finding is that size of our sales really depends on the population of the market. The U.S. and Europe are about twice as large as Japan. China is a bit different, because it lacks purchasing power right now.

Hanson: Are there any risks to having such a large percentage of sales outside the home country?

Kaku: Japanese companies used to believe that if your dependency on exports exceeded 50% then you were running a risky business. We don't think so. Where there is demand, we will sell our products.

Hanson: Looking at each market individually, how do you view the prospects? What about Europe, which last year took 27% of your sales? What about the future?

Internationalisation Strategy

Kaku: Canon's internationalisation strategy is first to establish a marketing network. Then we can move into production, and finally those local companies will be able to do research and development. What we want is an integrated operation in each country's market, so that they can function more or less independently. Right now, we have just about established a marketing network throughout the world. We are in the process of expanding our overseas production. The next stage will be R&D. If you think of it as climbing a mountain, we are two-thirds of the way to peak. The last bit may be the most difficult.

Hanson: In Europe, what kind of production plans do you have?

Kaku: We have both European presidents here; perhaps they can explain the details. In France, last year we began producing plain paper copiers at Canon Bretagne. In November, the government gave us permissioo to make electronic typewriters. We also expect to produce facsimile machines. In other words, what we are building is a total office automation equipment manufacturing facility. At our Giessen plant in West Germany, we are making medium- and high-speed copiers and other copier supplies. Looking ahead, we'd like to produce in Britain and elsewhere, though there aren't any definite plans yet.

Hanson: How much of your production would you like to move overseas?

Kaku: Our final target is to produce in each market in proportion to our sales there. Nowadays we are concerned with problems such as protectionism, which is why we may produce abroad regardless of higher production costs. But I think that each country has its individual merits. It may be cheaper to produce in Japan now. But in some cases it will pay to produce certain products in certain countries.

Enome: If you look at costs right now, you have to take into consideration exchange rates. With the yen strong against European currencies, our European added value looks good when compared with Canon's internal costs. But if you look at components, especially electronic parts, it is very difficult to find good supplies in Europe. Looking at total costs, Europe is still about 10% to 15% higher than Japan.

Hanson: What about cameras?

Kaku: It will probably remain easier and cheaper to produce high-quality cameras in Japan. On the other hand, the main plant for making medium-quality cameras is in Taiwan. We may make them in China.

Hanson: Just to get back to sales. How do you go about building a sales network? Mr. Mitarai, you are in charge of European sales, could you elaborate?

Building a Network

Mitarai: One of the basic points is to have a very good product. In trying to establish a network in each country, the main task is to be accepted locally. You have to find the right people to work. How do you get the cooperation of local dealers and distributors? Very frankly, there may be big differences in the quality of workers in each market. Social customs and worker attitudes are different. For example, we can't twist people's arms to act as if they were, say, in Japan.

Hanson: What is it like working within the European Community? Does it help in setting up a European-wide network?

Mitarai: The reality is that although the EC exists, the interests of each country remain different. The attitude of the French toward cameras is different than the U.K. The EC may set basic directions for the Community, but we have to keep an eye on how each country is doing. For example, we have set up separate marketing channels for France, West Germany and Britain. They are more or less independent. Other countries are covered through Canon Europa in Amsterdam.

Hanson: Mr. Enome, as production manager in Europe, what do you find to be the biggest advantages of having local plants?

Local Production

Enome: What we contribute most to local marketing in Europe is that we can supply goods much faster than from Japan, about twice as fast. We have to maintain good inventories in order to be flexible, so we meet each month with the sales people. We don't have research and development capabilities in Europe right now, so the things we make are designed in Japan. But, for example, when it comes to items like electronic typewriters, which differ from country to country, we have to have very subtle coordination in the local market.

Hanson: Looking at the long term, what kind of growth can Canon expect?

Kaku: The weight of the overseas market will continue to expand. As a company, we have experienced a very fast rate of growth over the past ten years. Last year, looking at Fortune magazine's directories of the 1,000 world's largest industrial corporations (500 inside the U.S. plus 500 outside the U.S.), I calculated that Canon had the third fastest rate of growth among those companies which were also on the list nine years ago.

Hanson: Are you worried about competition from the newly industrialising countries, such as South Korea and Taiwan?

Kaku: Newly industrialising countries are following us in technology, which is a good thing. But I believe that we are going to remain the front-runner in technology, while supplying these countries with technology.

Hanson: Who are your toughest competitors in Europe?

Mitarai: In our product lines, the severest competition is from other Japanese companies. Take, for example, Xerox, with whom we more or less share the copier market. Our biggest concern is from products being sold by the Fuji Xerox, the joint venture in Japan. For Europe, when we talk about competition from developing industrial countries, we worry about products such as cameras being made in Eastern Europe.

Hanson: What is Canon's share of the European market?

Mitarai: That is hard to say. But in the market for single-lens reflex cameras I think we have about 20% or so. In copiers, we are over 20% of the market.

Hanson: How does Canon view international capital markets?

Kaku: European markets are very popular with Japanese companies. It is simpler and cheaper to raise funds there. Canon has issued in Swiss francs, Deutschemarks and Eurodollars. We go wherever the best conditions are. Seventy percent of our funds raised through bond issues come from overseas. We are also interested in Euroyen bond issues. I am against speculative investment. We prefer to make money from our main lines of business. Our philosophy is to try to save even one yen by improving the way we produce things.

Hanson: Could you elaborate on Canon's management philosophy?

Unique Management Philosophy

Kaku: I think that Canon's philosophy is unique. If you look at the history of capitalism, there has always been a conflict between workers and the capitalist over how profits are being distributed. That has resulted in strikes and labour disputes. We as a company have looked at what the next stage in that relationship should be. What we realised is that workers and management are io the same boat. Profit isn't just enjoyed by shareholders and managers but also by the workers. That was the second stage. When I became president, I concluded that we as a company have a responsibility to the society that we are in. If we make a big profit, then part of that should be returned to the society. The company must exist for the benefit of the whole world. That is why we built a plant in France, to contribute to employment.

Hanson: Practically speaking, how do your labour relations work?

Kaku: Just to give one example, this year our wage increase negotiations took only twn hours to complete. We'd rather spend the time improving the company. The labour union is cooperating.

Hanson: Looking at the future, how is Canon approaching technology development?

Kaku: We have just established a new research laboratory. Even if we have idealistic goals, we can't achieve them without concentrating on research. This year, we will spend about 8.5% nf sales (nonconsolidated basis). Looking at our major product divisions, for example, for cameras, we should be working on stereo videos or 8mm videos and other products; office equipment should be trying to expand in office automation systems, including communications technology, and maybe even home automation systems in the future; the special optical division should be aiming at making Canon into an integrated maker of semiconductor fabrication equipment.

Hanson: What do you see as Canon's future?

Kaku: Let me explain my dream. When we have developed from cameras into good video products, and the market is ripe, we want to be competing on the scale of a Matsushita. When the current range of electronic components is replaced by optoelectronics, we want to be a supplier of components equal to Texas Instruments. We then want to use those components in office equipment to be just like an IBM. That's my dream. I don't know if we will realise it, but we will always be working toward it.

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WORLD TRADE NEWS

West Germany may rethink policy on N-waste for China

BY JONATHAN CARR IN FRANKFURT

WEST GERMANY may be on the point of modifying its firm opposition to sending nuclear waste to China for storage there, according to government sources in Bonn.

This in turn, it is felt, could help Kraftwerk Union (KWU), the German power station builder, win business in China worth several billion D-Marks.

The matter has now become pressing because Zhao Ziyang, China's Prime Minister, is due to visit West Germany on June 10-12, with nuclear matters high on the agenda of his talks.

The Chinese have long been offering to take German spent nuclear fuel for storage, as part of their plans to help finance industrial development, including their nuclear power programme.

So far, the Bonn Government has rejected the idea. But it is understood that the recent firm decisioo to build a nuclear fuel reprocessing plant in Bavaria – after years of dispute on the issue – could now prompt a reassessment.

It is argued that the plant would deal with much of the country's nuclear waste and that a share of the remainder might be sent to China as part of broader co-operation

While KWU's hopes of China contracts clearly do not hang on this issue alone, it is felt that a change of stance in Bonn on nuclear waste now would come at n very helpful moment.

KWU, a Siemens subsidiary, submitted offers in April to build two separate nuclear power plants in China – each with two reactors – and faces tough competition, especially from the French.

KWU experts are currently in China to answer questions on the offers made.

It is not felt very likely that the company would land deals to build both plants because it is believed the Chinese will want to compare different reactor techniques.

China, EEC sign new economic agreement

BY QUENTIN PEEL IN BRUSSELS

CHINA and the EEC yesterday signed a trade and economic co-operation agreemeot intended to promote the expanding commercial relations between the two sides particularly in new fields of advanced technology.

The deal covering the next five years provides for considerably wider co-operation than the previous two trade agreements, including EEC support for management and industrial training schemes, exchanges of economic information and investment promotion.

It comes into effect against a background of rapidly expanding trade between China and Europe from a low level: EEC exports doubled between 1980 and 1984 from Ecu 1.7bn ($1.25bn) to Ecu 3.5bn, while Chinese exports to the Community increased in the same period from Ecu 1.9bn to Ecu 3.2bn, according to the European Commission.

The largest item in China's exports remains textiles and clothing, amounting to some 35 per cent of the total.

The agreement is intended to promote co-operation in new fields such as information technology, energy and biotechnology, as well as more traditional areas such as mining, agriculture, transport and communications.

It was signed in Brussels by Sig Giulio Andreotti, the Italian Foreign Minister, for the Council of Ministers; Mr Willy de Clercq as the European Commissioner responsible for external trade; and Mr Sheng Toubin, the Chinese minister responsible for external economic and commercial relations.

PepsiCo to boost Soviet business

By William Hall in New York

PEPSICO, the U.S. soft drink group, plans to nearly double its Soviet business through a $2bn barter agreement which will continue through to at least 1990.

Mr Donald Kendall, PepsiCo's chairman, and Mr Yuri B. Zhishin, president of the Soviet export/import company, signed the new trade pact in Moscow yesterday. The pact, which supersedes an earlier agreement, coincides with a visit to Moscow of Mr Malcolm Baldrige, the U.S. Secretary of Commerce.

Mr Baldrige is in Moscow for the first high-level meeting since 1978 of the U.S.-Soviet joint commercial commission which he co-chairs with Mr Nikolai Patolicnev, Foreign Trade Minister.

The deal follows a Kremlin announcement of measures to reduce the high level of vodka consumption and drunkenness.

Under the terms of the deal, PepsiCo provides soft drink concentrate and assists the Soviet Union with quality control. In return, PepsiCo purchases Stolichnaya vodka for sale in the U.S. where it is the top selling imported vodka.

PepsiCo signed its first trade agreement with the Soviet Union in 1972, paving the way for it to become the first foreign consumer product available in the Soviet market. Its first bottling plant opened two years later in Novorossisk.

Today, Pepsi-Cola is bottled in 14 plants owned and operated by the Soviets.

PepsiCo says that the Soviet Union is very important. It is a large, growing and profitable market. Even at current levels, retail sales of Pepsi-Cola total nearly $200m a year

Paul Taylor in New York writes: PepsiCo's commercial involvement in the Soviet Union dates back to 1959 when, at Mr Kendall's instigation, the U.S. group first exhibited at the American National Exhibition in Moscow – photographs of Nikita Krushchev, then Soviet Prime Minister, drinking Pepsi, subsequently appeared in newspapers around the world.

David Gardner examines Mexico's efforts to combat opposition to its trade reforms

Industrialists keep protectionist flag flying

MEXICO'S efforts to carry out the most radical reform of its trade policy since it began a period of rapid industrial development after World War Two have run into entrenched opposition from industrialists who were nurtured through this period in a protectionist cocoon.

Government officials, fereign creditors and the private sector all agree that the country's ability both to pay its debts and restore acceptable levels of growth after the worst recession since the 1930s depends on expanding an export base dominated by oil.

However, Government measures to achieve this, in particular through a scheme to liberalise imports in order to boost non-oil exports and lower domestic inflation, have rallied local industrialists to their protectionist battle standard.

The industrial lobby has been able so far to block the key measure in an export promotion programme introduced last mooth. This measure, known as Diemex, envisaged allowing exporters to import 40 per cent of the value of their exports free of import licences, tariffs and value added tax. The attempt to open Mexico's frontiers disappeared between the drafting and publication of the programme.

Many Mexican industrialists are conscious that the days of the captive domestic market are over but believe the Government is resorting to "shock treatment." The nationalist and orthodox left agree with them, arguing that Mexican industrial and economic policy is being dictated by the IMF, with which Mexico is on the third and final year of an austerity programme agreed after its financial collapse in August 1982.

The industrial lobby argues that to open Mexico's frontiers suddenly to a flood of imports would wipe out an important part of the country's manufacturing base.

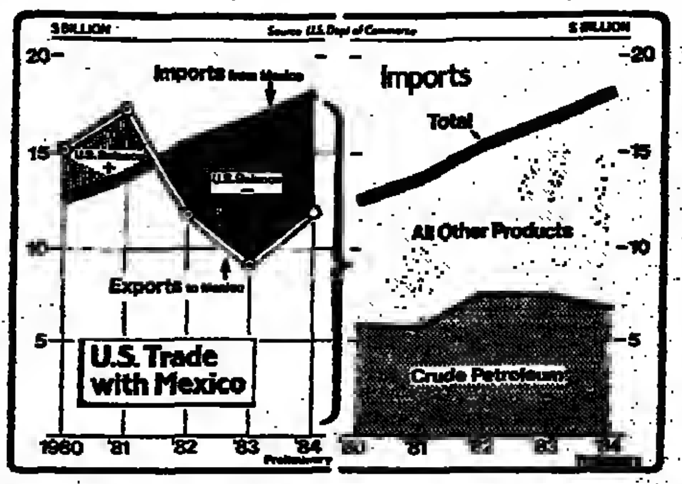
However, in interviews over the last 10 days, senior Government officials including President Miguel de la Madrid, Sr Jesus Silva Herzog, Finance Minister, and Sr Hector Hernandez, Trade and Industry Minister, have all insisted that the Diemex scheme will be implemented, albeit in a "less aggressive" and more gradual form, according te Sr Silva Herzog.

The revamped import facility is now likely to be available only to exporters of goods with at least 30 per cent local content, and the "freed" imports will be to a value of around 30 per cent of the manufacturer's exports instead of 40 per cent, according to senior officials.

The controversy over trade liberalisation takes place against a background of onerous debt service payments and falling trade surpluses.

Even after the pioneering multi-yqear rescheduling of $48.7bn (£38.3bn) of the country's $96bn foreign debt finalised on March 29, Mexico will still have a debt service bill of $14.4bn this year, rising to $23.2bn by 1990.

Mexico's principal source of foreign exchange is the $16bn-plus it earns from oil exports. By cutting imports by two-thirds between 1981-83 and boosting non-oil exports, these revenues have underpinned record surpluses of $13.8bn in 1983 and $12.8bn last year. But the trade surplus for the first quarter of this year, of $2.3bn,



was down 42 per cent on the same period last year, continuing the trend of the last quarter of 1984.

The first quarter outturn broken down, reflected an import rise of 37.6 per cent, a fall in oil exports of 8.6 per cent and a drop in non-oil exports of 16.3 per cent.

The rise in imports is explained by private sector purchases of capital goods, reflecting the unexpectedly vigorous upturn of the last nine months. But this upturn, prodncing GDP growth of 3.5 per cent last year against an eriginal tarket of 1 per cent, has sucked back in to the domestic market the surplus of goods which had been sold abroad, frequently at less attractive margins.

Mexican industrialists, with a rewarding captive market at home, have little traditioo of exporting and the non-oil export effort of the last three years has been based eo surplus capacity; the cut in imports is a one-off, probably unrepeatable effort if the economy is to grow. What fellows is that the record surpluses of the last two years cannot be approached without the sort of structural ehanges the Government is trying to introduce through its trade liberalisation measures.

The wider back-drop to these measures is also disturbing. Officials here are concerned about a further softening of oil prices; that the U.S. economy, which took three quarters of Mexican exports last year, will turn down and interest rates may rise; and, domestically, that inflation cannot be much reduced from last year's 59.2 per cent. Inflation at the end of last meoth was running at an annualised 56.5 per cent, against an unreal target of 35 per cent by the end of the year.

At the same time, Mexico's reserves—rebuilt from virtually nething at the end ef 1982 to $8.1bn at the end of last year — have fallen in recent months and now stand at about $6bn. Senior officials estimate to put an exact figure on them, pointing eut that Mexico made heavy amortisation payments at the beginning of the year.

The worsening trade picture has also set off a new round of devaluation rumours, a debilitating feature of the Mexican economy since the 1982 collapse. Petrobonds are the most sensitive instrument to these rumours since they are backed by a fixed, notional $29-per-barrel light crude oil price and are therefore a substitute for dollars, replacing the "mex-dollar" or domestically held dollar accounts seized in 1982. At the end of last week they rose by up to 8 to 10 per cent.

The ruling Institutional Revolutionary Party, in power for the past 56 years, faces its most serious electoral challenge for decades in mid-term elections in July, so few observers believe the Government will risk devaluing now.

The Government is committed to a competitive exchange rate, bnt ministers are insistent that the edge provided by devaluation is ephemeral (as well as inflationary) and that Mexican industry can only become really competitive abroad through structural change.

They also stress that Mexico's liberalisation efforts will be to no avail if the trend in the industrialised countries is towards protectionism. After three years of talks, Mexico last month reached a bilateral trade agreement with Washington guaranteeing more secure entry of Mexican goods into the U.S. market in exchange for the lifting of all export subsidies by the end of next year.

Cyprus pipe contract awarded

BY ANDREAS HADJIPAPAS IN NICOSIA

THE FRENCH company Pont-a-Mousson S.A. has won the contract for the supply of ductile pipes for Cyprus's big water supply and irrigation scheme, known as the southern conveyer project.

An official announcement said the French offer of just less than C£19.4m ($29m) was the lowest of 24 tenders submitted last October.

The announcement said the French company's offer was the most satisfactory not only because it was the least expensive, but because it met fully all technical requirements and was accompanied by generous credit facilities.

The southern conveyer project, the biggest ever undertaken in Cyprus, is expected to cost $380m

France urges Japan to buy outside U.S.

BY JUREK MARTIN, FAR EAST EDITOR, IN TOKYO

M LOUIS Mexandeau, France's Minister of Posts and Telecommunications, yesterday joined the growing European movement urging Japan not to confine itself to the U.S. in considering purchases of foreign telecommnnications equipment.

M Mexandeau, who is spending a week in Tokyo, seemed concerned that U.S. pressure on Japan might affect procurement policies and inhibit joint ventures between Japanese and non-American concerns. "Political and non-technical reasons," he said, "should not be the only criteria applied."

He pointed to what he described as proven French expertise in several areas – digital and private branch exchanges and telephone terminals. He also noted the possibilities of Franco-Japanese co-operation in satellite launches and in developing n new generation of telecopiers for facsimile transmission.

While several U.S. companies have either concluded or are negotiating co-operative agreements to take advantage of Japan's deregulation policies, European concerns seem to be facing rougher going.

The UK, for example, has recently drawn attention to the apparent difficulties being encountered by Cable and Wireless in its attempt to take n modest stake in Teleway, one of the putative new Japanese communications networks.

M Mexandeau was prepared to concede that France had yet to develop trade and industrial strategies commensurate with the nation's technology expertise. A consequence, he said, was the fact that France only sold to Japan about 35 per cent of what it bought.

M Mexandeau welcomed the first phases of Japanese telecommunications deregulation but showed little general sympathy for the privatisation of public service industries like telecommunications. A state-run system, such as France's, he said, had demonstrated a twin ability to compete technologically and to provide basic services "to all citizens, rich and poor."

He was particularly concerned that extensive worldwide deregulation, as frequently urged by the present U.S. Administration, would merely serve to exacerbate tensions between the North and South

Austria signs for Saab jets

By Patrick Blum in Vienna

THE AUSTRIAN Government yesterday finally signed a deal with Sweden to buy 24 secondhand Saab Draken interceptor aircraft to modernise its air force.

The aircraft will cost Sch 2.41bn ($112m) but the deal also involves a 130 per cent compensation agreement worth Sch 3.14bn over a period of 10 years covering technology transfers to Austria and sales to Sweden by Austrian firms.

Austrian sales to Sweden will include Sch 1.2bn for high-technology products; Sch 482m of various specified deliveries from small Austrian companies and another Sch 730m for other unspecified deliveries. In addition, Sweden is committed to transfer technology to Austria with the option of setting up joint ventures here to the value of Sch 723m.

Altogether, 23 major Austrian companies are expected to benefit from the agreement, which will include a joint venture between Sat Schrack, the Austrian telecommunications company, and Ericsson of Sweden to produce telecommunications equipment.

The deal will end a long controversy about the choice of the aircraft.

UK Government warned on textiles

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

THE BRITISH Government was warned yesterday that its more liberal approach to textile trade policy was causing the industry "acute concern."

Mr Harry Leach, president of the British Textile Confederation, told the annual meeting in London that the industry remained vulnerable to events outside its control.

The confederation welcomed the decision to seek a renewal of the Multi-Fibre Arrangement (MFA), the world agreement that governs some 80 per cent of trade in textiles and clothing, but was concerned over four aspects of policy:

- The decision to go for a more liberal policy on imports of goods which was based on highly dubious theories about benefits for the rest of the economy.
- An absence of any commitment that textile interests would be given their full weight in the coming General Agreement on Tariffs and Trade (Gatt) negotiations in Geneva.
- A lack of awareness by the Government over practical problems in liberalising quotas, especially on the proposal to free children's clothes from quota restrictions.
- Insufficient attention was paid to the risk of disorder if the MFA was watered down.

Two consortia for talks on HK rail system

HONG KONG's Kowloon Canton Railway Corporation (KCR) has selected two consortia for detailed talks and further study of the light rail transit system planned for the Colony's New Territories, our Trade Staff writes.

It has named a consortium headed by Ateliers de Constructions Electriques de Charleroi of Belgium, with which Balfour Beatty of the UK is associated, and a British-Hong Kong joint venture between GEC Transportation Projects, Metro Cammell, and Gammen Hong Kong.

Schroder Wagg, the UK merchant bank, is financial adviser to the Belgian consortium.

Five consortia were invited to tender for the HK$1bn (£105m) contract to build a 23.5km double track rail transit system.

The contract is the first phase of a two-phase 34km project linking Tuen Mun and Yuen Long in the western part of the province.

Thermal project loan

The World Bank has approved a $300m (£250m) 20-year loan as its share of the $1.3bn Chandrapur thermal power development in Western India, AP reports.

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Brazil set to win approval for delaying debt renegotiation

BY ANDREW WHITLEY IN RIO DE JANEIRO

Sr Antonio Carlos Lemgruber, the Brazilian central bank governor, was expected yesterday to conclude arrangements with the country's banks advisory committee in New York to delay phase two debt renegotiation for a further 90 days to the end of August.

Telexes going out to Brazil's estimated 700 bank creditors over the next few days will be accompanied by a statement from M Jacques de Larosiere, the International Monetary Fund managing director, confirming that negotiations with Brazil on an austerity programme will commence next week.

During his meeting with the banks advisory committee Sr Lemgruber reportedly faced a barage of questions from anxious bankers over a report published in Brazil over the weekend that the country may ask for another $4bn (£3.1bn) this year from the international financial community.

Sr Lemgruber is said to have clarified that the report in question—a discussion paper from the Planning Ministry—was still preliminary.

He repeated earlier statements that Brazil envisaged it would face a $2.5bn current account deficit in 1985. But he said it would seek to fill this gap with funds from the multilateral spending institutions and not commercial banks.

It is not clear yet how such a large sum can be raised at short notice from the only obvious sources, the World Bank and the Inter-American Development Bank. The amount needed is double their presently anticipated disbursements for 1985.

One possibility is that Brazil will press to revive an ambitious World Bank-backed co-financing scheme discussed last year under the Figueiredo Government. It was dropped at Brazil's request, mainly because of the then Government's dislike of the attacked conditions.

In his outline paper, Sr Joao Sayad, the Planning Minister, argued that if Brazil were to obtain, say, an additional $4bn a year from its foreign bankers it could give itself more room to tackle pressing social problems.

Over the weekend Sr Sayad also called for the partial capitalisation of interest payments on the country's $104bn foreign debt, describing it as "imperative."

Nicaragua thwarted on Toronto trade office

By Bernard Simon in Toronto

CANADA will not allow Nicaragua to use a new trade office in Toronto to circumvent the U.S.-imposed embargo, Mr Joe Clark, Canada's Foreign Minister, said after a meeting with Mr George Shultz, the U.S. Secretary of State, in Washington.

Nicaragua moved its North American trade promotion centre from Miami to Toronto in the wake of an embargo announced on May 1. Canada has declined to participate in sanctions against the Sandinista Government, arguing that they may promote economic instability in Central America.

The Canadians have also rejected attempts to make U.S. subsidiaries in Canada comply with the embargo. A law passed this year gives the Canadian Government powers to block compliance by locally based companies with foreign boycott and sanctions orders.

Mr Clark gave no indication how Ottawa plans to control the activities of the Nicaraguan office. He said it would be "inappropriate" for the office to buy U.S.-made goods.

The U.S. embargo is viewed as opportunity for Canada to expand its trade with Nicaragua, amounting to C$67m (£38m) in 1984.

Frank Gray, recently in Havana, examines Castro's move against U.S. broadcasts

Radio battle hits Cuba's tourist dollar flow

THE DECISION by Fidel Castro, the Cuban President, to hit back at the U.S. over Washington's decision to broadcast Spanish-language radio programmes into Cuba threatens to disrupt the flow of bard currency into Cuba's vital tourism industry.

Washington's inauguration this week of Radio Marti broadcasts out of Florida, and the Cuban Government's reaction come when economic relations between the two countries, although narrowly based, have been better than at any time during the Reagan Administration.

These relations revolve around Cuban Americans who, through a special dispensation by Washington and agreement of the Castro Government, have been flooding into Cuba as tourists at a rate of more than 1,000 a week.

The tourists, bearing much-needed hard currency, have left the big hotels of Havana awash in dollars by snapping up appliances and household goods for distribution to their Cuban relatives.

Some tourism industry officials estimate that the value of their business could, if allowed to continue, be worth $50m (£39.3m) this year. The numbers may not equal the 100,000 expatriate Cubans permitted by President Carter to visit their home country in 1979, but their impact on the economy could be greater. Unlike 1979, they are inhibiated from bringing many goods into the country and must, instead, bring dollars to spend in the hard currency shops of Cuba's major hotels. The expatriate income aside, Cuba earns about $100m a year from tourism, none of which comes from the U.S., so it is not affected by President Castro's retaliatory move.

Castro: retaliation

> The Cuban Government yesterday stepped up efforts to jam transmissions from the U.S. of Radio Marti, the Washington-sponsored station aimed at sending news to Cuba, Reuter reports from Havana.
>
> A background whien heard throuhgout the first day of broadcasting turned into a loud drone yesterday but was net enough to blot out the broadcast.
>
> Foreign diplomats said Cuba's decision to retaliate by suspending an immigration pact with the U.S. adn halting visits here by Cuban-Americans appeared to be aimed at driving a wedge between the 1m strong exile Cuban-American community in the U.S. and Washington.

Radio Havana announced on Monday that Cuba was suspending an immigration accord with Washington which involved the repatriation to Cuba of undesirable aliens, and that Cuban Americans are now prevented from travelling to Cuba. Apart from academics, entertainers, journalists and members of small left-wing political groups, Cuban Americans are virtually the only Americans allowed into Cuba with Washington's blessing.

The expatriate and tourism factor has contributed to the emergence of a two-tiered economy in recent years. The major hotels in Varadero Beach and in Havana, the two main tourism centres, are hard pressed to accept anything but dollars. The official exchange rate at hotel counters is 85 cents per peso, but Cubans without U.S. or other foreign connections are obliged to do business at the small but increasing number of high street shops, paying up to five times in pesos for comparable goods foreign visitors can buy in hotel dollar shops.

Russian-made watches such as the Wostok and Paketa marques sell for between $60 and $120 in shops compared with just $20 for Japanese digital and analogue watches in hotels.

The Government seems to have accepted the unofficial 5-1 street exchange rate: a state retail shop for Cubans was opened not long ago in Havana with basic housewares costing up to five times their dollar counterparts.

Many of the more internationally-minded trade and financial officials in Cuba recognise the need for a continued hard currency flow into the economy because the improved capacity will give Cuba the funds to buy Western goods and knowhow.

They are cautious, however, not to be too overt in their enthusiasm for fear of sending the wrong signals to Cuba's more orthodox central planners who are committed to a heavy dependency on trade with the Comecon bloc.

Such trade last year was worth nearly 85 per cent of all Cuba's exports, mainly sugar anud nickel, and imports. In effect, some pesos 4.5bn ($52.9m) in goods went to Comecon and pesos 5.2bn came from the socialist bloc.

There also remains the very real fear that the sudden surge from Cuban Americans of Western consumer goods—indeed some goods, such as bourbon whiskey and housewares, are from the U.S., via Panamanian middlemen—may prove a corrupting influence. A generation of Cuba's 10m people have known nothing else but what is termed the "Triumph of the Revolution," cornerstones of which are the elimination of illiteracy and creation of a vast system of hospital and health services.

Under the just-suspended immigration agreements, some 20,000 Cubans were to be permitted entry to the U.S. each year in return for the repatriation of the undesirable aliens.

One point that cannot be lost on the Castro Government is that such an outflow, if it is allowed to resume, will inevitably lead to a greater influx of well-heeled expatriates dispensing largesse to their Cuban relatives in future years.

As there are no other meaningful trade relations between the two countries, this could be a mixed blessing.

Guyana fights back after IMF aid blow

By Canute James in Kingston

GUYANA SAYS it intends to increase production and exports to counter the decision of the International Monetary Fund to make the country ineligible for financial assistance.

The decision by the Fund was expected in Guyana, following the country's failure to meet its programme of loan repayments to the Fund.

Guyana, short of hard currency, is due to pay the IMF $31.7m (£24.6m) this year. Mr. Carl Greenidge, the Finance Minister, said it was intended to pay the IMF $25m, about a third of total hard currency earnings expected this year.

So far $4m has been paid, and the IMF felt the country was not trying hard enough.

The IMF decision will further reduce Guyana's access to hard currency support. Banks and donor countries have been reluctant to lend since the last pact with the IMF collapsed in 1982.

The Government has been seeking between $150m and $200m from the IMF, but has been reluctant to cut government spending and curb imports — conditions which the Fund wants implemented.

The weak economy is burdened by a $1.3bn foreign debt, the servicing of which eats up 42 per cent of its foreign earnings.

East Caribbean security pact likely in June

By Robert Mauthner, Diplomatic Correspondent

MR HERBERT BLAIZE, the Prime Minister of Grenada, said in London yesterday that the Organisation of Eastern Caribbean States hoped to conclude a treaty on mutual security arrangements by the middle of June.

Under the treaty, any member of the organisation could call for help from the others when their security was threatened by an outside power. The OECS groups Grenada, St Vincent, St Lucia, Dominica, Monsterrat, St Kitts/Nevis, Barbados and Antigua.

Mr Blaize declined to name a definite date for the withdrawal of U.S. troops from the island, where they have been since the American intervention of October 1983.

"The Americans will stay until we have put together our own security forces," Mr Blaize said. He hoped that it would not be long before Grenadans would be looking after their own security.

Britain and the U.S. would not be parties to the security treaty

The Grenadan Premier, who has been having talks in London with Mrs Margaret Thatcher, the Prime Minister, Sir Geoffrey Howe, the Foreign Secretary and Mr Timothy Raison, the Minister for Overseas Development, said his visit had been "fairly satisfactory, so far."

ENVIRONMENTAL SAFEGUARDS

U.S. rethinks policy on development loans

BY NANCY DUNNE IN WASHINGTON

ENVIRONMENTALISTS won a rare and sweet victory when the World Bank last month halted payments on its $443.4m (£343.7m) investment in a massive resettlement project in Brazil's Amazon rain forest.

The Polonoroeste programme, encompassing an area three-quarters the size of France, most of it tropical moist forest, has long been the target of a concerted campaign, combining legislative lobbying, international pressure, Congressional hearings and widespread publicity.

The involvement of key Congressmen has raised a new awareness within the Treasury that the failure to consider the environmental impact of development can undermine the billions of dollars spent to raise living standards in the Third World. The end result of the lobbying effort has been not only the suspension of World Bank lending for one project but a new commitment by the U.S. Government to examine multilaterial development loans more closely.

Testifying before the Senate subcommittee on foreign operations early this month, Mr James Baker, Treasury Secretary, said the department would bring "questionable projects to the attention of senior management of the various multilateral development banks"

"Our own examination of MDB projects indicates a mixed performance by the banks in adhering to their own, current standards regarding environmental safeguards on the design and implementation of their projects," he said. "There have been some very well designed projects. There has also been a number of environmentally questionable projects."

The Polonoroeste project featured a 1,000 mile road through the heart of the Amazon, construction of feeder and access roads and the building of numerous rural settlements offering agricultural credit and assistance, health care and education. The Bank had built environmental safeguards into the programme and had provided for the protection of the lands of the 6,700 Amerindians in the region, but the stipulations simply were not met by the Brazilian agencies involved.

As early as 1983, Mr David Price, an anthropologist and former World Bank consultant, warned that the project was encountering grave problems. Paving of the highway was ahead of schedule, but provisions to protect the Indians had not been implemented. Most indigenous lands were not demarcated, economogical reserves had not been set aside, and massive, unplanned migration was resulting in increasing deforestation

Mr Jose Lutzenberger, a Brazilian environmentalist, raised even more serious charges before a House subcommittee last September. "The Polonoroeste project," he said; "is a method of decreasing the risk and increasing the security of the large landowners, and it does this by removing some of the rural poor from the regions where they were born

Dr Jim Lee, head of the bank's office on environment and science, says recommendations for increased consideration of environmental problems presented by a House banking subcommittee and the U.S. Treasury are now under advisement by senior managemant. The Bank has recently issued new guidslines on pesticide procurement and use and for potentially hazardous industrial projects. "We are ready to respond to emerging conditions," he said.

Tokyo could face trade sanctions 'by year end'

BY ANATOLE KALETSKY

JAPAN MAY face protectionist measures against its exports before the end of this year unless it adopts quantifiable import targets and shows a "willingness to be measured by them," Mr Norman Tebbit, the Trade and Industry Secretary, said yesterday.

Mr Toshio Yamazaki, the Japanese Ambassador to Britain, was also warned last night by several Tory MPs at a stormy meeting at Westminster, that Japan must open up its markets to other countries otherwise protectionist pressures would be impossible to resist.

In a toughly-worded speech to the annual dinner of the Confederation of British Industry (CBI), Mr Tebbit roundly denounced Japan for "riding on the back of the open trading system" and "putting less back into it" than Europeans and Americans had a right to expect.

Claims by the Japanese Government that it was trying to reduce Japan's trade surplus were "hard to equate" with the heavy use of aid and soft finance in competition for international contracts, such as the recent "Bosporus Bridge affair," Mr Tebbit said.

Mr Norman Tebbit: 'Japan must set targets'

He called on the Japanese Government to set clear targets for the reduction of its trade surplus. Without "early, measurable" progress on such targets, pressure in the U.S. for "unilateral action against Japanese goods may become irresistible sometime this year," he said.

Such U.S. action against Japan would in turn "encourage parallel measures" in the European Community in an "attempt to prevent Japanese goods excluded from the U.S. market from being diverted" to Europe, Mr Tebbit added.

The British Government would "strongly regret" any such action against Japan because it could lead to a rapid unravelling of the open trading system; but at present "Japan is simply not perceived as a committed participant in an international open trading system."

In Japan, manufactured imports amounted to only 2.4 per cent of GNP, against a share of 5.6 per cent of GNP in Europe and 5 per cent in the U.S.

If the Government was genuinely looking for ways of increasing Japan's foreign purchases, it was easy to "offer some advice on this point," Mr Tebbit said.

Thatcher listens to criticisms of policies

By Peter Riddell, Political Editor

MRS MARGARET Thatcher, the Prime Minister, was yesterday told about Conservative backbench concern over the Government's recent performance and presentation of policy.

Mrs Thatcher met the executive of the 1922 Committee of Tory MPs for 40 minutes, in her House of Commons room. Such meetings are held regularly but yesterday's had an added significance because of the recent widespread unease among Tory MPs.

Afterwards, there was a deliberate attempt to play down the importance of the talks. Senior backbenchers said it had been "low key," "restrained," and one prominent Tory even described the comments as "anodyne."

The executive of the 1922 Committee contains a wide spectrum of backbench opinion, including two sponsors of Conservative Centre Forward, the new party pressure group headed by Mr Francis Pym.

Some senior Tories feel that the Government has made a number of serious mistakes in recent weeks, notably over the handling of the decisions about social security and the future of local rates (property taxes).

There is pressure for some of the more controversial items, such as the phased ending of state earnings-related pensions, the removal of restrictions on Sunday trading, and legislation on animal rights to be dropped or delayed. But there is no sign that Mrs Thatcher and her allies have any intention of changing the Government's legislative programme, and indeed they have the support of most backbenchers.

AGREEMENT TO CO-OPERATE IN PORTFOLIO MANAGEMENT

Barings to partner Japanese bank

BY YOKO SHIBATA IN TOKYO AND GORDON CRAMB

BARING BROTHERS, the UK merchant bank, is seeking to establish a presence in portfolio management for Japanese institutional investors through a consultancy and marketing agreement with Long-Term Credit Bank of Japan (LTCB).

The link with LTCB – traditionally a supplier of finance for industry but fast developing into a broad-ranging financial supermarket – is one of several agreed in recent months between Japanese and foreign banks as part of a deregulation of Japan's financial markets.

Unlike the other tie-ups, the Barings deal is not thought likely to be subject to regulatory approval from the Japanese Ministry of Finance.

Ministerial clearance – which has brought delays of some months for fund management partnerships such as that proposed earlier this month between Barclays Bank and Toyo Trust and Banking – is expected to be circumvented in this case because Barings and LTCB do not plan to establish any formal joint venture company.

Their outline agreement, details of which emerged yesterday, provides for co-operation in investing Japanese institutional funds in international fixed-income and currency markets.

Barings said this was the first time that a Japanese organisation of the stature of LTCB – which ranks close behind the country's big four securities houses in terms of funds under management – had brought in a foreign partner. It stressed that no equity link between the two was planned and that the arrangement did not prevent Barings seeking other deals in Japan.

According to Mr John McLaren, a Barings director in London, the British institution saw the "considerable marketing power" offered by LTCB as a major benefit.

"In addition, we think it has a very good name in Japan," he added. "We can say quite honestly that this was our first choice."

Mr McLaren said that, for its own part, Barings could provide a greater international expertise, allowing LTCB further to expand its portfolio management operations.

Funds are expected to be attracted from Japanese business as well as from the country's smaller regional banks and insurance companies. They will be channelled through First Capital Research, an existing investment management company in which LTCB and Daiichi Securities – with which the Japanese bank has other close links – are joint shareholders.

LTCB has a 7.5 per cent stake in Daiichi, which also ranks below the big four but is noted for its bond-dealing operations.

Barings has separate Tokyo activities including Baring International Investment Management, an equity specialist which will not be affected by the accord with LTCB.

Plea to keep costs down

BY PHILIP BASSETT

THE GOVERNMENT must avoid imposing additional costs on industry which would make it more difficult for companies to continue the present economic recovery, Sir James Cleminson, president of the CBI, told the dinner.

The Government had created a business climate which had made possible "the renaissance of growth." It had relieved industry of many of the burdens which had been imposed upon it such as exchange, price and dividend controls.

But it was necessary for the Government to avoid replacing these burdens with others. Energies now being released in Britain were encouraging enterprise and initiative and there were signs of several years of real promise for industry.

Although most company profit levels had improved, however, their increase was from a very low base, and returns were still not as high as the countries with which industry had to compete.

Sir James denied being either complacent, or over-optimistic, though he accepted that the CBI took a better view of the economy than did the Government.

He pointed to differences of attitude in Japan, Germany and the U.S. towards jobs, profitability and investment, tracing their roots in domestic and educational attitudes, and said that Britain needed to emulate to a greater degree this element of personal initiative and self-help.

Education plans put greater emphasis on technology

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

THE GOVERNMENT will take a stronger hand than ever before in reshaping universities, polytechnics and colleges for the needs of the 1990s, says a Green Paper (discussion document) on higher education published yesterday.

Ministers will be "fully engaged" in rationalising the system ready for a cut of more than 14 per cent in student numbers between 1990 and 1997. "It is not improbable that some institutions of higher education will need to be closed or merged," the document states.

The prime concern of policy over the next 10 years will be to increase the numbers of young people studying technology and to a lesser extent science. "The proportion of arts places in higher education as a whole can be expected to shrink."

Scientific and other research will be concentrated in fewer institutions, with the result that some universities may lose most if not all of their research funds.

The paper urges industrialists to support the changes in various ways including the award of better pay, promotion prospects and status to people with engineering and other technological qualifications.

The principle of the shift towards technology courses was supported by 26 chairmen and senior managers from companies in information technology and related fields, who met Mrs Margaret Thatcher, Prime Minister, yesterday to discuss the document.

Mrs Thatcher was accompanied by Sir Keith Joseph, Education Secretary; Mr Norman Tebbit, the Trade and Industry Secretary; Mr Tom King, Employment Secretary; and Lord Young, Minister without Portfolio with special responsibility for generating new businesses.

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Attempt to cut Iberia flights is blocked

AN ATTEMPT by the Department of Transport to cut the number of flights between London and Madrid by Iberia, the Spanish flag airline, has been blocked temporarily by the High Court in London.

Mr Dennis Henry, QC, for Iberia, yesterday successfully applied for the temporary ban on the department's action, pending a full hearing of the airline's High Court action challenging the legality of the move.

Mr Henry told Mr Justice Webster that the airline would be alleging that the minister, Mr Nicholas Ridley, in invoking powers under Article 59 of the Air Navigation Order, 1980, which gave him the right to revoke, suspend or vary licences, was under the mistaken belief that the Spanish Government was in breach of its airline treaty obligations with Britain.

The minister had planned to reduce Iberia's flights by 25 per cent, which would have had a serious effect upon it during the coming peak summer holiday season.

Mr Henry said that the airline would do everything in its power to co-operate with the minister before the matter came to the full-scale hearing, for which no date has yet been set.

□ SIR KEITH JOSEPH, Education Secretary, last night made an initiative to end the teachers' pay dispute with a firm pledge to make more money available for salaries next year and an offer to exempt lunchtime supervision from teachers' duties.

□ MR GEOFFREY KIRK, the former director of public relations for the National Coal Board, has died in a sailing accident.

Mr Kirk, who was 63, was dismissed from his post last year during the miners' strike after policy and operational disagreements with Mr Ian MacGregor, the board chairman.

□ MR DAVID STEEL, the Liberal leader, called on the British and U.S. governments to take the lead in forcing the South African Government to abandon its racialist policies.

Speaking at the conference of Commonwealth representatives in London, Mr Steel said change leading to majority rule in South Africa and Namibia was inevitable.

□ HABITAT stores chain, part of the Habitat/Mothercare group, is to expand its European operations by opening two stores in the Netherlands. Habitat, which has 46 UK stores, already has 23 outlets in France and three in Belgium and sees expansion in the Netherlands as a logical development.

□ COOPERS & Lybrand is now the UK's biggest accountancy firm, according to a "Top 50" league table published in today's UK Accounting Bulletin.

Outlook 'hopeful' for cable television

BY RAYMOND SNODDY

THE OUTLOOK for cable television in Europe is slowly improving and is now more promising than at any time for the past two years.

The qualified optimism emerges from new research carried out by Communication and Information Technology (CIT) Research, the UK specialists in the new media.

CIT says that 8.5 per cent of homes in Western Europe are connected to cable and this percentage could double within 10 years. Last year the penetration of cable in Europe rose by 8.5 per cent.

The research group believes that the cable industry could generate annual capital expenditure of more than $1bn by the early 1990s. Subscriber revenue, now around $400m a year could increase fivefold to some $2.2bn by 1995.

CIT says that the most optimistic feature of the last year has been the emergence of a more realistic attitude to the construction and operation of European cable networks.

Mr Patrick Whitten, managing director of CIT, says: "Blind faith in technology for technology's sake, is in decline. People have to buy the programmes and services on offer, and this means a more practical and realistic approach."

Britain will, however, lag behind countries such as West Germany in the level of cable penetration. By 1989 CIT believes that 6.5 per cent of homes will be attached to a cable network although only a small proportion of that will be sophisticated new systems.

By then, 12 per cent of German homes will be on cable but three quarters of that will be advanced systems because of a $30bn a year investment by the Bundespost.

Already 1m homes are on cable in West Germany. In the short term CIT believes that Satellite Master Antennae Television (SMATV) which can deliver satellite programmes to small existing cable networks is one of the interesting new media markets in Europe.

The research group is not convinced that it will be a commercial success in all cases, however.

Print union pays fine for contempt of court

BY DAVID GOODHART, LABOUR STAFF

SOLICITORS for the craft print union, the National Graphical Association (NGA), revealed yesterday that it had paid a £500 fine for contempt of court arising from its new technology dispute with the Wolverhampton Express & Star newspaper.

The union still faces five charges of alleged contempt of court – brought by the Express & Star and a sister company, Precision Colour Printing – which could in the last resort lead to sequestration of its assets. The union will be represented today at the court hearing.

The NGA has probably fought harder than any other union against the Conservative Government's trade union laws. But it has taken a more pragmatic line on resistance to the law since its defeat in a 1983 dispute over the "closed shop" (employment of union members only) with the newspaper group of Mr Eddie Shah.

In the Wolverhampton dispute, the union decided to accept an injunction requiring a secret ballot of its members before taking industrial action. The fine for contempt was imposed for the union's refusal to obey an injunction against the "blacking" (refusal to handle work) of Precision Colour Printing.

Changes in Scottish pub laws cause 'more sensible' drinking

BY LISA WOOD

CHANGES in licensing laws for pubs in Scotland appear to have led to more sensible drinking rather than offering a temptation for people to drink more, according to a survey published yesterday by the Scottish Office.

More flexible licensing hours were introduced in Scotland in 1976. The results of the Scottish Office survey, conducted by the Office of Population Censuses and Surveys, is likely to have a significant effect on the Government, which is reviewing the laws in England and Wales.

Pubs in England and Wales are restricted to fixed opening hours at lunchtime and in the evenings and the serving of alcohol is also limited by law in restaurants.

Mr George Younger, Secretary of State for Scotland, in a written parliamentary answer, said that while the preliminary analysis showed there had been an increase in alcohol consumption in Scotland between 1976 and 1984, it was unlikely that it was a direct consequence of the changes in the licensing law.

Mr George Younger

According to the analysis the more probable cause was a change to a more relaxed attitude towards drinking in general and, in particular, towards women's drinking.

Mr Younger said: "Since the law was changed there has been a wide improvement in the image of public houses (pubs) throughout Scotland. The survey suggests that this is probably the reason more women now drink in pubs and are more inclined to accompany their partners on a visit."

The Brewers Society, in response to the report, which will be followed by a fuller analysis said: "Government statistics have shown that in the past five years drunkenness convictions in Scotland have fallen by 41 per cent for all ages (9 per cent in England and Wales) and by 49 per cent for the under 25s (12 per cent in England and Wales).

"It is now time that a similar framework of flexibility should be allowed to the English and Welsh after 70 years in a strait-jacket of a licensing system that prevents fair competition with other leisure outlets."

APPOINTMENTS

Senior posts at Pilkington Group

The PILKINGTON GROUP has named chief executives for the group's major UK operating companies and divisions. All are internal moves, and are part of the company's decentralisation policy. Mr Glen Nightingale becomes chairman and chief executive, Pilkington Glass; Mr Alan Judge, chief executive, insulation division; Mr Hugh Gair, chief executive, reinforcements division; and Mr Alan Nicholson, chief executive, contracting division.

★

Mr Albert Shepard, Mr Anthony Pole, Mr Nicholas Stacey and Sir Peter Blaker have been appointed directors of IAMCO (INTEGRATED ASSET MANAGEMENT CO). Mr Stacey has also become chairman. IAMCO is a subsidiary of Integrated Barter International Inc of New York.

★

C. H. PEARCE AND SONS has made the following appointments to subsidiary companies. At Pearce Developments Mr John R. Allen and Mr William Lawrence Clark will become directors on July 1. At C. H. Pearce and Sons (Contractors) Mr Graham Jones and Mr Malcolm Mace will become directors on July 1.

★

OFFICE CLEANING SERVICES has appointed Mr Gerald Bowthorpe its managing director. Mr Bowthorpe, who has been a member of the OCS board since 1964, succeeds Mr James White, who has been appointed chairman. The former chairman of OCS, Mr Derek Goodliffe, has been elected president. Mr Goodliffe is also the chairman and managing director of the OCS Group.

★

THE SCOTTISH NEWSPAPER PROPRIETORS' ASSOCIATION has re-elected Mr Kenneth Whitson as president for 1985-86. He is chairman and managing director of D. and J. Croal, publishers of the East Lothian Courier. Mr Iain Romanes, managing director of The Dunfermline Press, and Mr Derek Small, managing director of The Tweeddale Press, continue as senior and junior vice-presidents respectively.

★

LYNDOE (HOLDINGS) has acquired Fringe Benefit Investments and appointed Mr Mikal Lyndoe as managing director, Mrs M. Jeanette Lyndoe as financial director and Miss B. Taylor and Miss S. Charlton as non-executive directors.

★

Mr John F. Willmott has been appointed to the board of JOHN WILLMOTT DEVELOPMENTS. He is the fifth generation of the Willmott family in the 133-year-old private contracting and development group.

★

Mr Tony Chilvers, formerly with Dun and Bradstreet and Donnelley Marketing in Europe, has been appointed to the new role of managing director of GfK MARKET RESEARCH, based in Chelmsford, Essex.

★

LEEDS AND HOLBECK BUILDING SOCIETY has appointed Mr Peter A. H. Hartley its president. He is executive chairman of Hillards Supermarkets and joined the Leeds and Holbeck board in September 1978. The Lord Marshall of Leeds has been appointed vice president. Lord Marshall is a vice chairman of the Conservative Party and a vice-president of The Building Societies' Association.

★

Ms Mair Barnes has joined the board of F. W. WOOLWORTH as managing director of F. W. Woolworth superstores division. Ms Barnes previously held a senior post in the House of Fraser Group as managing director of its Dingles department store group.

★

Mr Norman Stone is leaving his post as director of marketing and information at the MANPOWER SERVICES COMMISSION to go into consultancy. His successor will be Mr Barry Sutlieff, at present deputy head of information at the Home Office.

★

Mr Antony Purkis has been appointed managing director of RUBEROID BUILDING PRODUCTS. Mr Purkis, who joined the company in January 1984 as marketing director, replaces Mr Geoffrey Parkin, who is now group operations director.

★

Mr David Gregory, managing director of Realstone has been elected president of the STONE FEDERATION for 1985-86. The new senior vice-president is Mr Robert Ogston and the junior vice-president is Mr David Jesper.

★

Mr Jonathan Shier has been appointed as director of sales and marketing of THAMES TELEVISION, with a seat on the board. He is currently director of sales and marketing at Scottish Television, where he has worked since coming to the UK in 1978. He will take up his appointment on July 2.

★

Mr J. P. Ford has been appointed to the board of BB CAPITAL MANAGEMENT.

UK NEWS

Joan Gray reports on how government forecasts are being cited in support of an Essex building plan

Unlikely allies in the battle of the Green Belt

CONSORTIUM Developments has found some unlikely allies in its campaign to build country towns in London's Green Belt: the Department of the Environment's statisticians.

The consortium—a group of nine of Britain's biggest builders including Barratt Developments, Wimpey Homes, Tarmac, and Bovis' and Beazer's housing divisions—has already put in a planning application to build the first of six country towns for about 14,000 people each. This is at Tillingham Hall in Essex, in the centre of the Green Belt designed to protect the countryside around London from development.

The consortium bases its case for using Green Belt land on the housing problems of the South-east where, it says, a minimum of 884,000 new homes will be needed by 1991.

This figure is reached by starting with the Department of the Environment's latest forecast that 720,000 new households will be formed in the region between 1981 and 1991, and then adding another 36,000 houses to allow for mobility, a further 68,000 to combat London's housing shortage, and 60,000 more to replace houses which have reached the end of their useful life.

The estimate that 720,000 unew households will be formed in the South-east by 1991 is a revision of a November 1984 DoE forecast which predicted the formation of 543,000 new households by 1991.

Going up: forecasts suggest 7m households by 1991.

The increase was announced by the DoE in February this year, but was little noticed until Consortium Developments used it in its calculetions.

Now it has become central to the vexed issues of housing need and where the land to meet it is to come from.

In the absence of any government guidelines about the number of houses to be provided, these questions have been left open to intense lobbying and debate by builders and conservationists.

Mr Robin Grove-White, director of the Council for the Protection of Rural England, describes the DoE's latest figures as "loaded" and questions how they come to be a "staggering 33 per cent higher" than the earlier estimates.

This should make "reasonable people feel deeply uneasy," he says, particularly as they form "the basis on which Consortium Developments is claiming a major shortfall of building land and a housing crisis in the South-east which would justify cracking open the Green Belt."

But Mr Lee Shostak, a consultant from Conran Roche commissioned by Consortium Developments to help prepare its plan, says the DoE's lower estimate of 543,000 new households was a "politically constrained figure taking account of the amount of land which is to be released, while the 720,000 forecast is not politically constrained by land availability."

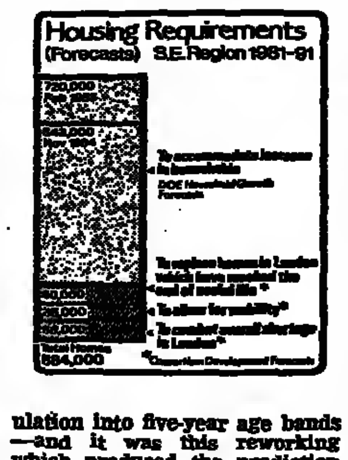
The truth, it seems, is less exciting: statisticians have enough trouble producing a mechanical, objective prediction of new household formation without dabbling in messy subjective political issues.

The reason for this letest change is a purely mechanical matter of statistical refinement.

Both forecasts were produced using data from the last four censuses, including the 1981 census, but the lower, earlier figure was produced by lumping people into 15-year age bands, 15-29, 30-44, 45-59, and so on.

Closer examination of the figures revealed mini-bulges of 10-14 year-olds and 15-19 year-olds in 1981, who were highly unlikely to be heads of households at the beginning of the decade and highly likely to be heading new households at the end of it.

So the forecasting method was refined by dividing the population into five-year age bands—and it was this reworking which produced the prediction of 720,000 new households by 1991 instead of 543,000.



The size of the increase was a surprise and an embarrassment—but not Machiavellian or politically motivated, according to DoE officials.

And although 177,000 extra households is indeed a 33 per cent increase on the earlier estimate, it looks less staggering in the context of the total 7,042,000 households projected for 1991.

The change in statistical method also affects the number of new households predicted for the decade to 2001. Whereas the DoE's forecast of 543,000 new households to 1991 was followed by a forecast of 381,000 new households to 2001, the latest 720,000 forecast is followed by a projection of 314,000 new households for 1991 to 2001.

None of the DoE'e current projections take account of social changes, such as the increased tendency for young singles to set up home on their own, elderly people to live alone, or the rise in the number of single parent families, all trends which point to a growing number of smaller households.

These changes will be incorporated into the department's next projections, to be released in 1986, and will fuel the next round of the debate.

For Consortium Developments' proposal to build at Tillingham Hall is expected to lead to a public inquiry which, in its turn, would need a final decision by Mr Patrick Jenkin, Secretary of State for the Environment.

The issue is a very sensitive one. As Mr Stephen Byrne, president of The Royal Town Planning Institute, puts it: "The Green Belt is expected to be inviolable by the public at large and any tampering with it is likely to come up like a political rake and hit Mr Jenkin in the face."

His verdict will be awaited with avid interest by builders and planners anxious to see if it sets a precedent for breaching the Green Belt and using it as housing land.

Continuing his series, Maurice Samuelson looks at a region where the first non-mining engineer to become an Area Director has taken over from the controversial Mr. Albert Wheeler

Scotland: a battle to win the men's hearts and minds

THE DEEP-MINED pits in Scotland are the costliest part of the British coal industry after South Wales. In the year before the miners' strike they lost £74m, or nearly £14 a tonne, on all the coal they produced.

Although the Scottish workforce shares South Wales's reputation for militancy, it now has less reason than the Welsh to fear a rapid avalanche of closures in the wake of the strike.

This is because the painful process of balancing production with the market for coal was largely completed by Mr Albert Wheeler, its stern and single-minded Area director, whose departure this month for the new unified Nottinghamshire area was hailed with near-hysterical relief by the Scottish National Union of Mineworkers. During his five years in office, the Scottish workforce fell from nearly 20,000 to below 12,000, while his parting shot was the closure of Polkemmet because of damage caused during the strike. By the end of the year, the workforce should settle at just over 9,000.

Mr Wheeler's successor is his former deputy in charge of administration, Mr John Loudun and the contrast between the two men could not be greater. Mr Wheeler, still in his early 50s, is an austere, somewhat puritanical mining engineer who attacked the problem of surplus capacity with the efficiency of a high powered shearing machine.

An accountant by training, Mr Louden is by contrast the NCB's first non-mining engineer to become an area director. A large, avuncular man of 64, he had been due to retire at the end of this year and seems slightly bemused at being given this promotion so late in life but he clearly relishes it and will happily stay beyond the end of the year if invited to do so.

Despite his outward contrast with Mr Wheeler, Mr Loudun says the Scottish mining industry's objectives remain unchanged, praises his predecessor's performance, and points both to the problems and the opportunities still facing the area.

Although Mr Wheeler had brought production into balance with the market, Mr Loudun says the industry is still under pressure to bring costs down from about £50 a tonne towards £40. Other challenges include the poor geology in some big loss-making pits, and the need to secure new markets, in the face of the electricity industry's growing use of nuclear power.

Mr Loudun insists that the board is trying hard to extend the life of the two surviving Ayrshire deep mines, Barony and Killoch, whose poor geology is the main cause of their high losses. If they are not saved, the Scottish coalfield will be left with five main coal producing projects: the Longannet and Seafield complexes, Comrie, Bilston Glen and Monktonhall. This is apart from the large open cast sector for which he is also responsible.

There is no reason, he says, why Bilston Glen, Monktonhall, Comrie and Longannet will not be breaking even in the next financial year.

His confidence is strongly echoed at Monktonhall, near Edinburgh, whose ebullient manager, Mr Willie Kerr, vows that it is going to be "the number one pit in Scotland, the jewel in the NCB's crown." First, the pit will have to start producing 18,000 tonnes of coal a week, compared with the 12,000 tonnes which is the maximum it is producing now in one of its better weeks.

It will hit this target, he says, as soon as it receives delivery of the new machinery it needs to work a third face.

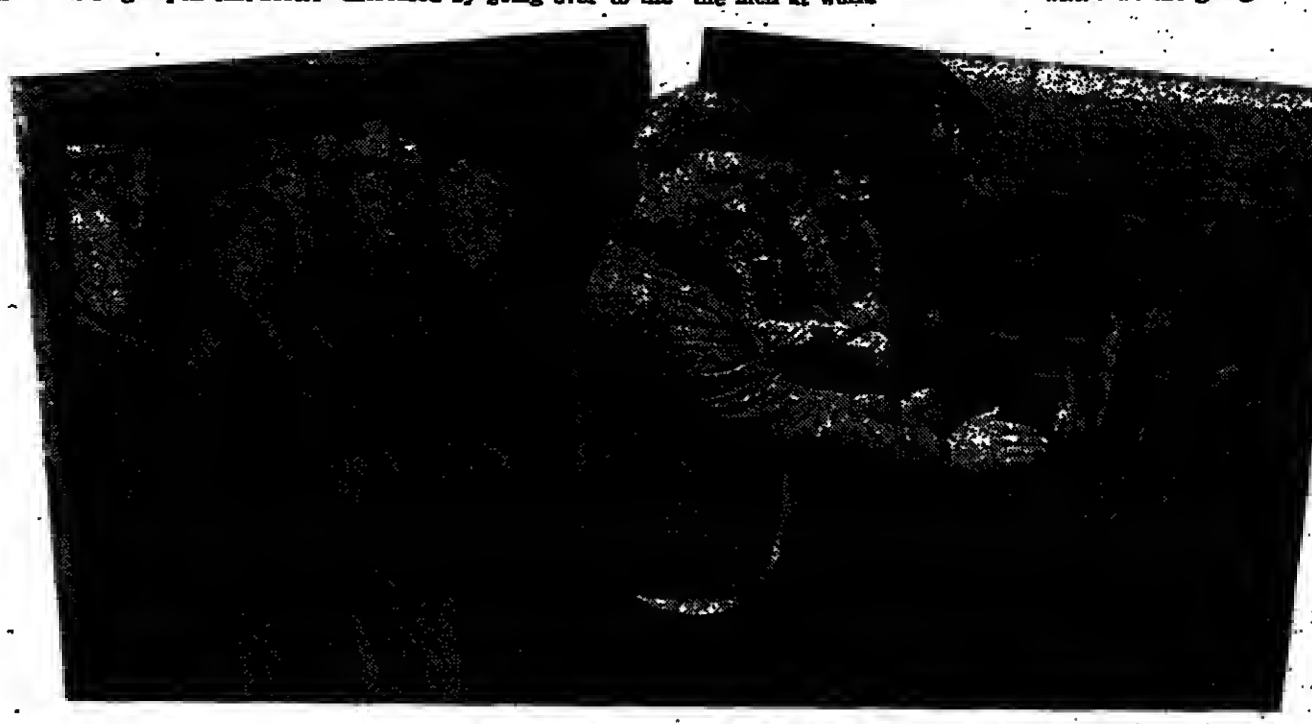
At nearby Bilston Glen, which like Monktonhall has enough coal to ensure its survival well into the next century, breaking even means raising output from 18,000 tonnes a week to 20,000 tonnes.

At both pits, output is being increased by going over to the "retreat" method of extracting coal. Instead of advancing the roadways as the coal is cut away, the miners cut the roads first and then work their way back, removing the coal as they go. Although this method has a longer lead time, it ensures higher productivity.

The major problem at both pits is building a new relationship between management and workforce to replace the suspicions of the past. At Monktonhall, where the workforce has been cut from 1,800 to 1,200, the task has been to convince the men that there is no danger of the mine being closed.

"In the past, this was a fairly political colliery. But I doubt if that can be claimed now," says Mr Kerr.

Mr Tom Gaw, the Bilston Glen manager, whose 1,850 men include 200 from Polkemmet, says candidly that however one interprets the outcome of the miners' strike, the fact that it broke out at all was a result of management's failure to keep the men at work.



Two faces of mining: back at work and picketing in earlier days

"Before the strike, the colliery management was totally production orientated. Now we have to spend a lot more time with our workforce, and show a caring attitude towards them," Mr Gaw says. Together with other colliery managers in Scotland he is trying to get through to the men by a programme of regular discussions about the pit's prospects and their performance, backed up by regular newsletters and use of video equipment.

Every Wednesday, for example, he spends an hour and a quarter in the middle of the day in a general discussion with 80 to 100 men, "trying to break the fallacy that just because we are a nationalised industry that *does* not mean we have a God-given right to exist."

He says he refrains from trying to convince them that the pit's future is "untouchable"; he concentrates instead of telling them the pit's broad objectives, detailing the equipment that is being purchased "and where we are going."

Despite the meetings with the workforce, backed up by other steps such as a regular pit newsletter, Mr Gaw believes it will take more than a year before the management can win their trust.

There is still a strongly political hard-core, he says, which believes that if a Labour Government were returned at the next general election the union's influence in the running of the industry would be restored to its former strength.

Mr Gaw is distressed at the running conflict with Nacods, the pit officials union, which, he says, has made antagonists out of the Board's "first-line management."

Meanwhile the Scottish NCB differs from other areas of the industry in that its director is also responsible for most of the country's coal produced by open-cast contractors. With deep-mined production down to 5m tonnes a year (compared with 23m tonnes when Mr Loudun joined the Scottish NCB in 1947), the open-cast sector represents a major part of its business. Output here is set to rise to some 3m tonnes a year.

Although it is suggested occasionally that all open cast coal might be privatised, Mr Loudun points out that the two activities have been combined successfully in Scotland, where most open cast coal is blended with deep-mined coal for power stations.

The Board points out that because the open cast production is highly profitable, it can help pave the way for the whole coalfield to become profitable.

As for new business, the Scottish NCB is now seeking to supply the 1m tonnes of coal a year which will be needed to convert Northern Ireland's Kilroot power station from oil. The Board hopes to supply the station from open cast workings from Ayrshire and an announcements in Belfast is expected shortly.

The board, moreover, is following keenly the proposals to increase the amount of electricity which Scotland will be able to export "by wire" to the grid in England. This should help offset any loss in power station orders because of nuclear electricity. It is also keen to export more to Scandinavia, which prizes the low-sulphur content of Scottish coal. But all these opportunities will depend on the coalfield's success in maintaining and building on the achievements made under the formidable Mr Wheeler.

BBC may cut up to 2,500 jobs

BY RAYMOND SNODDY

THE BBC is considering shedding up to 2,500 jobs to cut costs after the recent licence fee settlement. The cut in jobs is the main option being considered by the corporation to meet a serious cash shortfall over the next three years.

The BBC believes that the new £58 colour licence fee – £7 less than the corporation asked for – means that £65m in economies will have to be found over three years just to maintain services.

A proposal to reduce the number of jobs in the BBC by between 2,000 and 2,500, out of the present staff of about 29,000, has already been put before the board of governors.

The issue will be considered again at the next meeting of the governors on June 6.

The aim would be to reduce staff numbers through natural wastage and increased efficiency. There is an average turnover of about 4,000 jobs a year at the BBC and, according to senior executives, a substantial reduction in posts could theoretically be achieved this year.

Some departments have already begun leaving a number of vacancies unfilled and have introduced a three-tier grading for vacant posts – "must fill, hold for six months, or chop."

The aim of the board of management of the BBC is to conserve as much money as possible for programme production. But job reduction in lowly paid and high turnover areas such as catering might not result in enough savings to meet the shortfall.

The £65m shortfall, after excluding improvements to BBC services or developments such as making a start on a new £100m headquarters, is three times the rate of saving considered possible by Peat Marwick Mitchell, the management consultants, in a report on efficiency at the BBC commissioned by the Government and published in March.

Mr Giles Shaw, Home Office Minister responsible for broadcasting, recently said the licence fee settlement was sufficient to safeguard existing services "provided rising costs are held in check or modest improvements in productivity attained."

Mr Shaw added: "As far as new or enhanced services are concerned, it is up to the BBC to create its own freedom to manoeuvre by increasing productivity, taking firm action to minimise rising costs, setting their own priorities and improving their management procedures."

Mr Alasdair Milne, director general of the BBC, has already written to all department heads in the corporation asking for their suggestions for economies.

Two committees are looking formally into the possibilities.

One, chaired by Mr Richard Francis, managing director of BBC Radio, is reviewing the costs of BBC radio output. The other, chaired by Mr Michael Checkland, director of resources for BBC television, is involved in a similar task for BBC 1 and BBC 2.

The BBC is also intensifying its programme of "activity reviews" being carried out by Deloitte Haskins & Sells. The Deloitte team is involved in a rolling programme of reviewing one department after another. The aim is to try to find savings to contribute to programme production.

Invisible earnings expected to rise

By James McDonald

OVERSEAS invisible earnings by a number of major UK service industries this year may grow by between 5 and 15 per cent, with Lloyd's marine division possibly seeing a 30 per cent growth, according to a survey published yesterday by the British Invisible Exports Council.

These increases, however, may be offset by no growth or even declines in earnings from British shipping, from soft commodities and consulting engineering.

The council has a broad spread of membership including banks, insurance companies, shipping, aviation, the Confederation of British Industry, the Treasury, the Bank of England, the London Stock Exchange and various government departments. It says the prevailing view among clearing banks is that most categories of business generating invisible earnings will show greater buoyancy this year.

Bankers put the likely increase in overseas earnings for 1985 at between 5 and 15 per cent.

UK insurance companies expect an improvement in overseas earnings and insurance brokers anticipate a rise of between 2 and 4 per cent.

Lloyd's marine division cites a number of factors tending to increase overseas earnings and profits. Some syndicates at Lloyd's, it is suggested, may see overseas earnings up by 30 per cent.

Inward tourism is expected to show a possible increase of 9 per cent in earnings over 1984.

Invisible earnings from stock exchange members should also rise this year, but about 20 per cent in net terms, with much of the income expected from Far Eastern markets.

Trend towards regional inequality continues

BY ANDREW ARENDS

THE TREND towards greater regional economic inequality in the UK has continued, according to the latest edition of the Government's Regional Trends, published today.

Its statistics portray the south of England as having a growing population, new housing stock and relative economic prosperity. The north of England is shown as an economically and socially deprived region facing continuing industrial decline.

Since 1979, gross domestic product per head has grown more rapidly in southern regions compared with the northern half of the country. It stood at £5,155 in the south-east in 1983, compared with a national average of £4,329. The figure for Wales was £3,627 and for Northern Ireland £3,156.

Over the past five years, the working population has increased by under 1.5 per cent. In the south-east, it has risen by 4.7 per cent, but in the north-west it has fallen by 1.1 per cent. In the same period, the manufacturing industries' share of employment fell from 31 per cent to just over 26 per cent.

The statistics show that the number of people aged 75 and over rose by 14 per cent between 1978 and 1983, compared with a rise of 0.5 per cent for the population as a whole.

East Anglia, the most sparsely populated English region, has been the fastest growing over these years, while Merseyside has been losing its population faster than any other region – mainly through migration to the south.

Regional Trends 1985, Edition HMSO, £17.50.

Hotpoint to increase refrigerator output

BY CHRISTOPHER PARKES

HOTPOINT, the domestic appliance arm of GEC, is planning to extend its Peterborough refrigerator and freezer factory later this year.

The expansion would increase production capacity by about 25 per cent and could, if fully used, provide 300 to 400 jobs, Mr Jeoff Samson, Hotpoint's managing director, said yesterday. The existing plant was at present working full out with one day, one night and one twilight shift, he added.

The company was reaching the stage where major expansion was needed in all areas. It was considering possible advances at its two home laundry works in North Wales, although there was still capacity for extra shifts there.

The main impetus for the Peterborough move has come from the recent strong growth in the market for combination fridge-freezers. UK sales of these appliances have risen from about 555,00 a year in 1980 to some 850,000 last year.

Five years ago almost 70 per cent of the fridge-freezers sold in the UK were imported. Now the figure is down to about 30 per cent, according to stockbrokers Henderson Crosthwaite.

Lec, the UK market leader in home refrigeration with about a 20 per cent share, Hotpoint, which claims the number two position, and Electrolux have all benefited from this swing.

Hotpoint has increased its output of fridge-freezers 2½ times over the past 18 months, Mr Samson said.

MPs support reform of Sunday trading

By Ivor Owen

THE GOVERNMENT will introduce a Bill in the next session of parliament to sweep away all restrictions on Sunday shop trading in England and Wales.

Mr Leon Brittan, Home Secretary, described a Government majority of 120 in the House of Commons in favour of the change as "clear cut and very gratifying."

Both Conservative and Labour MPs will be seeking stronger safeguards to protect the position of shop workers who are opposed to working on Sundays.

Mr Gerald Kaufman, shadow Home Secretary, gave a warning of a danger of a "huge dilution" of the retail workforce, by casual and part time workers if unrestricted Sunday trading was introduced without adequate statutory protection for shop employees.

Most Tory MPs who oppose the change are concerned about the impact of legalised and widespread trading on the traditional character of Sunday.

'New food' pie a sell-out at Sainsbury stores

BY DAVID FISHLOCK, SCIENCE EDITOR

SAINSBURY, the retail food group, has been unable to satisfy demand for a product it has never advertised. It is a new food product made by a British biotechnological process.

Delegates at the Biotech 85 Conference in Geneva were told yesterday that the product, called Savoury Pie, contained a fibrous, meat-like substance called mycoprotein made in a fermenter.

The pie was launched in January this year and sells at Sainsbury stores at a price of 92 p a pie. Demand of several thousand pies a week has outstripped supplies, and RHM, which provides the micoprotein, has had to restart its pilot fermenter at High Wycombe, Buckinghamshire.

Sainsbury plans to launch a second mycoprotein food product this year, when supplies of the new food are expected to expand from a maximum of 50 tonnes per week from the pilot fermenter to as much as 1,000 tonnes a week from a fermenter at the Billingham factory of ICI's agricultural division.

One possibility is that the new food product will be a burger that does not shrink when cooked. Mycoprotein is a filamentary form of fungus, related to mushrooms and truffles, but cultured continuously as a broth in a sterile fermenter.

Fibres strained from the broth are pasteurised as part of the food processing operation. When turned into foods, mycoprotein provided a rare instance of a nutritious foodstuff which was also delicious to eat, Mr Robert Marsh, of RHM, told the conference.

"By and large, mass markets don't buy on nutrition," he said. But RHM sees enormous potential in mycoprotein as a meat analogue, because of the ease with which this highly nutritious food of plant origin can be textured and flavoured to simulate high grade proteins like fish, meat and poultry."

Which airline's been most punctual within Europe for nearly three years now?

Time's up.

SAS
The Businessman's Airline

RESOURCES REVIEW: CANADA

Wheat growers tackle new strains

By Bernard Simon, recently in Winnipeg

SHIFTS in the global wheat market and stiff competition from other exporters are nudging Canadian wheat growers towards far-reaching changes in their production and marketing strategies.

In the past, farmers in the prairie provinces of Manitoba, Saskatchewan and Alberta have relied on their product to sell itself. Besides the exceptionally high quality of Canadian hard Red Spring wheat, customers have been attracted by the unmatched consistency of shipments from Canada, reliable deliveries, and the country's unblemished reputation as a politically acceptable and stable supplier.

Few would quibble that these attributes still apply. Canadian Red Spring wheat continues to command a price premium of up to C$20 a tonne on similar grades grown on the U.S. prairies.

Although Canada produces only about 3 per cent of world wheat supplies, it accounts for more than one-fifth of international trade in wheat. Canada is the biggest exporter after the U.S., with wheat and flour shipments reaching a record 21.8m tonnes in the season to July 31 1984, almost double the level five years earlier.

A drought last autumn has lowered this season's crop, and exports in the 12 months to July are unlikely to exceed 16m to 17m tonnes including drawings from carry-over stocks.

The problem for Canadian farmers is that their high-quality, premium priced wheat is not what the fastest growing import markets want. Hard, high-protein Canadian wheat is an ideal ingredient for the breads eaten in the industrialised countries of North America and Europe. But these qualities are superfluous in the steam and flat breads (such as Indian chapati) or noodles eaten in the Third World, where wheat consumption is rising most rapidly. In addition, the hardness of Canadian wheat is not suited to these countries' less sophisticated milling facilities.

As one trader in Winnipeg, Canada's grain centre, puts it: "Canada is producing a Cadillac when the world wants a Honda."

Even in Britain, Canadian wheat is not the sought-after commodity it once was. Although the UK's fast-rising wheat output is confined to softer varieties, the addition of gluten makes British wheat quite acceptable to domestic millers. Canada's annual exports to the UK have slumped from 1.4m tonnes in 1980/81 to 0.7m tonnes this season.

Unfortunately for Canada, these changes in the market come at a time when large wheat surpluses around the world give buyers the upper hand.

The Canadians have preferred in the past to avoid the rough and tumble of competition and price volatility by concluding long-term contracts with customers. Government subsidies to prairie wheat farmers are low and most sales have been for cash, rather than credit.

But Argentina's desperate search for new markets in early 1984 and the present threat of lower export prices for U.S. wheat as a result of Washington's new $2bn export initiative and proposed cuts in farm support are forcing the Canadians to become more aggressive.

Although this year's smallish crop has eased the pressure to find new markets, Mr Esmond Jarvis, chief commissioner of the Canadian Wheat Board—the Government agency that co-ordinates prairie wheat sales—says: "If the Americans expand their export assistance, that may well bring pressure on the Canadian Government to do the same sort of thing."

The wheat board's latest annual report, published last month, notes that moves to push up U.S. grain exports will give Canada and other competitors "no choice but to follow suit, leaving prices lower and market shares unchanged."

CANADIAN WHEAT EXPORTS*

Figures in thousands of tonnes

Country	1983-84	1982-83
Soviet Union	6,761	6,959
China	3,514	4,424
Japan	1,527	1,341
Brazil	1,363	1,503
Cuba	1,053	1,101
UK	955	1,109
Algeria	813	517
Italy	742	624
Egypt	686	49
Iraq	608	280
Others†	3,742	3,461
Total	21,764	21,368

* Includes durum and wheat flour; † includes bagged seed exports.

Sources: Canadian Grain Commission, Statistics Canada

Canada is already using credit more often to clinch sales. Recent credit customers include Brazil, Mexico and Egypt. Sales of Canadian wheat to Egypt climbed from 23,000 tonnes in the 1982/83 season to 662,000 tonnes last year. Further large shipments are expected in 1985 following the recent conclusion of a five-year sales contract that provides for a minimum annual shipment of ½m tonnes to Egypt.

In a further—though longer-term—bid to improve their competitiveness, the Canadians have launched a string of large investments to streamline and modernise the western transport system.

The impetus has come from important adjustments started last year in freight rates on western grain. Over the next few years, farmers and the Government will assume an increasing proportion of freight costs, with the aim of improving returns to the railway companies.

Projects currently under way include a nine-mile tunnel through the Rockies, the purchase of several thousand new wagons and a rationalisation of rural elevator and branch rail capacity.

A new C$300m grain terminal at Prince Rupert, north of Vancouver, was opened officially this month. The terminal has an annual throughput capacity of 3.5m tonnes, and is a major link in the programme to increase shipments through west coast ports, and lower dependence on the long, costly Great Lakes route.

This year, for the first time, more wheat will be exported through British Columbia than along the St Lawrence River. Canada's new markets are thus likely to be concentrated in countries where wheat shipped from west coast ports is most competitive.

Meanwhile, the drive to expand export horizons has raised the sensitive issue of the high quality and consistency which have up to now been the cornerstone of Canadian export policy. In a trend which one trader says should not be under-estimated, a growing number of farmers has begun to question whether they could not earn more by turning to lower quality, but higher yielding, varieties than the ultra-hard, high protein Red Spring wheat.

Mr Jarvis says that the wheat board recognises a shift in market preferences is taking place, but adds that "it's not a marked shift." He points out that the Soviet Union, Canada's biggest customer, still buys only the top two grades. Japan and Britain also take only the highest quality wheat, while other customers willingly blend Canadian wheat with lower grades.

As evidence of the growing popularity of higher yielding strains, prairie farmers have almost trebled winter wheat plantings this year to 1.8m acres. Winter wheat yields have averaged 31 bushels an acre in the past five years, compared to 27.9 bushels for hard spring wheat. The winter wheat harvest later this year may thus reach close to 1.5m tonnes.

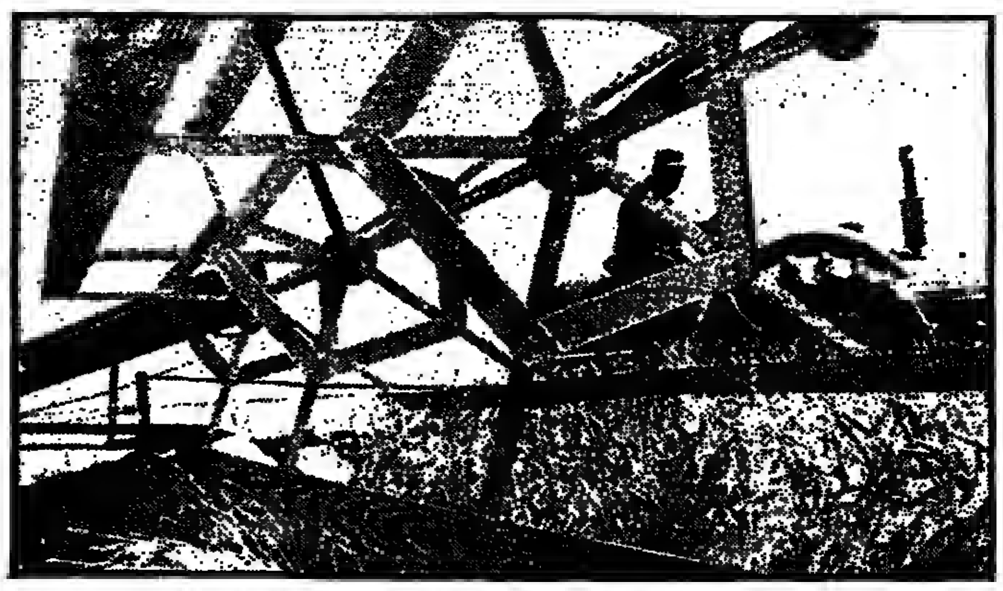
Bowing to pressure from farmers and traders, the Canadian government took the unprecedented step last March of licensing a new semi-dwarf spring wheat strain—known as HY 320 — with a yield 27 per cent higher than hard Red Spring varieties.

According to initial 1984-85 prices set by the board earlier this month, farmers will receive 14 per cent less per bushel for HY 320 than for hard, high-protein wheat, but the difference in yields appears to justify growers' enthusiasm for the new variety.

The board has contracted with farmers — mainly in Southern Manitoba, where a relatively moist climate is best suited to cultivation of semi-dwarf wheats — to plant a quarter of a million acres of HY 320 this season, compared to an experimental area of 159,000 acres in 1983-84. According to a wheat board official, the acreage would have been higher if plantings were not limited by a shortage of HY 320 seed.

Milling and baking tests using HY 320 have been carried out in the past year in four foreign markets: Mexico, Brazil, Egypt and Malaysia. According to Mr Jarvis, semi-dwarf varieties, such as HY 320, will become an important force in Canada's wheat exports. "But whether it's four or five, six or seven million tons is hard to predict."

The board recently brought senior flour millers from 18 countries to Winnipeg for a flour technology course aimed in part at showing off the attributes of HY 320.



Harvesting the wheat on a farm near Tragava, Saskatchewan

The board faces a dilemma in marketing a rising tonnage of semi-dwarf wheat without damaging Canada's reputation for strict quality control. Although the authorities have so far licensed only HY 320, some impatient farmers have begun planting other newly-developed semi-dwarf varieties which, by coincidence, are visually indistinguishable (even to an expert) from hard Red Spring wheat, but do not share its milling properties, and are classified as suitable only for animal feed.

This year's harvest of "unlicensed" types could reach about 1m tonnes, but the board hopes that greater availability of HY 320 seed next season will discourage growers from planting these varieties. Farmers are free to grow "unlicensed" strains and to sell them as feed, but the board is concerned that shipments of high-grade Red Spring wheat may be diluted by the lower quality grain.

As a first step towards controlling production, the board has asked growers for the first time this year to specify how much land has been planted with unlicensed lower grade varieties.

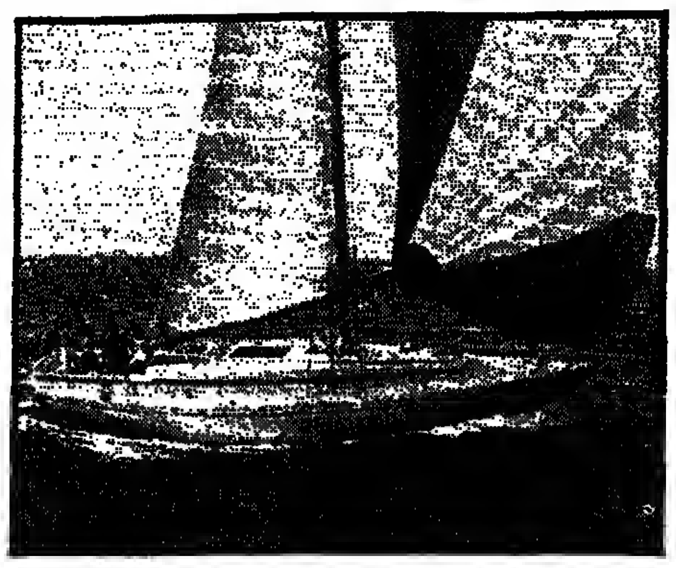
THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Sailing boats

Why Beneteau took on the world

David Housego reports on the French company's strategy to avoid recession



Annette Roux: "In our field we were the first to pursue a global strategy"

Annette Roux

AN EXPLOSION of demand for boating holidays in France in the 1970s saw Annette Roux's yacht manufacturing company, Beneteau, enjoy a rapid expansion of sales and profits.

But by 1979 she had become worried that the boom in racing and pleasure yachts in France had peaked and that the French were entering a period in which they would have less to spend on leisure time activities.

Roux's solution was to seek outside advice and—unusually, perhaps, for the owner of a private company—to accept radical recommendations which set her on a path into world markets and manufacturing techniques new to the industry.

It was in 1979 that Roux, by chance, made cootact with the American-based Boston Consulting Group. The group was doing a study of the hardware business and had approached Mme Roux's husband, Louis-Claude Roux, whose own business interests included hardware wholesaling.

BCG's eventual advice was that she should shift her focus from the French domestic market to increasing Beneteau's share in the world market for racing and pleasure yachts. This concept so enthused her that in 1980 she recruited Xavier Fontanet, who had carried out the study for BCG, as her managing director.

Five years later Beneteau is the world leader in the sailing boat market with a 35 per cent share in France, 8 per cent in Europe and 5 per cent in the U.S. Roux says: "It is not very modest to boast about it. But in our field we were the first to pursua a global strategy."

Profits were up last year by 35 per cent to FFr 12.7m (£1.07m) on the basis of a 38 per cent increase in turnover to FFr 419m (£35.8m). In 1983 Roux won the Veuve Clicquot award for the French businesswoman of the year with praise from Edith Cresson, France's first female Minister of External Trade, for her "enterprise" and "success."

However, in 1979 the situation was potentially worse than Roux could have imagined in her most pessimistic moments. From 1974-1979 Beneteau had been gaining market share in France by expanding sales at an annual pace of 34 per cent; but the French market was growing by only 17 per ceot. From 1980 onwards the French market slumped both as a result of the world recession but more particularly because of the uncertainty, tax measures and subseqoently price controls that surrounded the socialists' coming to power in 1981. Sales of pleasure and racing yachts in France fell at an annual rate of 14 per cent between 1979-84 though Benetean was able to boost its turnover in France by 3 per cent a year.

At that time in the late 1970s, Beneteau was studying a plan for building a new factory to make larger boats at Saint-Gilles-Croix-de-Vie in the Vendee on the west coast of France which would almost double capacity. Some in the industry believed that to go ahead with a FFr 15m investment in such conditions was folly. Fontanet, however, argued that the market was potentially mnch larger than Beneteau had imagined and the decision was taken to build.

But before the effects of this decision could be felt, the downturn in the French market gave Beneteau a difficult period. In 1980-81 profits fell almost fourfold to FFr 2m.

So the decision to compete worldwide was not immediately obvious. Beneteau was a family firm—Roux is a Beneteau by birth and the family is still strongly represented on the board—with its sales concentrated on the west coast of France. When one of its competitors, Jeanneau, was faced with a similar crisis, it decided to diversify into small cars and incurred substanial losses in doing so.

But having adopted a worldwide strategy Fontanet set out across Europe and the U.S. to implement it. "I reckon that in 1981-82 I made 300-400 plana journeys a year," he says. "But I was not the only one." Beneteao concentrated on building up concessionaires in Europe and the U.S. "Selling boats is rather like selling cars" says Fontanet. "You need to create a dealer network and to establish an image." The company now has about 150 concessionaires worldwide.

The new factory at Saint-Gilles came on stream in time to meet the demand. "The factory arrived at the right moment," says Fontanet.

Now Benetean is setting its ambitions high. It currently has 8 per cent of yacht sales in Europe. "We can reasonably hope to triple that in three years," says Fontanet. In the U.S. his goal is to increase Beneteau's share from 5 per cent of the market today to 15 per cent over five years.

Bnt Benetean's success has not been simply one of marketing strategy. It has a wider range of racing and pleasure yachts than any of its competitors. Last year it brought out 10 new models in its four main categories of boats which include small pleasure and fishing launches. The company puts a high priority on research and creativity and innovations are tested in international yacht competitions.

The company was also one of the first yacht manufacturers to build boats on a production line basis in order to cut costs. Both Saint-Gilles and another factory it is now putting up at Challans nearby are designed so that yachts can be assembled on similar principles as cars. Challans will represent a basic investment of FFr 25m.

Until recently Benetean financed its expansion out of profits and borrowing. But early last year it sought a listing on the French secondary market raising an additional FFr 8m of capital as well. This year it has raised a further FFr 17m bringing its total capital and reserves up to FFr 71m.

This compares with ontstanding medium and long term debts as of August 31 last year (the close of Beneteau's accounting year) of FFr 27m.

Nonetheless financial charges of FFr 20.8m in 1983-84 represented 5 per cent of turnover because of the high level of short-term financing needed in an indnstry where sales are concentrated in the brief summer period.

In spite of Beneteau's ambitions to improve its world market share, it anticipates that turnover will grow more slowly in the years to come at an annual average of 15-20 per cent. Its major future project—still under study—is the construction of a factory in the U.S. And it is on that that it bases its hopes of a larger share of the lucrative U.S. markat.

League table of innovators in retail finance

BY DAVID LASCELLES

WHAT MAKES for successful innovation, particularly in a fast-changing market like financial services, where new technology plays such a big role? The answer is elusive. But PA Consulting Group of London has just completed a nine month inquiry which provides some clues.

Above all, PA says, a company should have a very clear idea of where it wants to go. It must also have a thorough understanding of its markets, manage its resources well, and have someone at the top giving a good lead.

The innovation process itself is not just a question of having bright ideas, or even being first, but really wanting to do something new rather than merely following the competition.

Innovation, by PA's definition, is "a product or service initiative, being the first or one of the first, in a particular market, designed to give a sustainable competitive advantage."

All that may sound a bit obvious, and couched in management consultant-ese. But tha PA report * looks at what it considers to be the world's 40 most innovative institutions in some detail. The list was compiled by PA staff so it is subjective, and David Hodgson, the firm's international director, admits "we may have left ona or two off, but the bulk of them is there."

THE 40 financial institutions chosen by PA were:

North America:

Allstate; Banc One; Citibank; Crown Life; Empire of America; First Interstate Bancorp; Hogan Systems; Internet; London Life; Merrill Lynch; Norwest Corp; Royal Bank of Canada; Sun Bank; Valley National Bank.

Europe and Africa:

Allied Hambro; Banco de Bilbao; Banques Populaires; Christiania Bank; Co-op Bank; Credit Agricole; Credit Commercial de France; Credit Mutuel; Friends Provident; Liberty Life; Nottingham Building Society; Royal Bank of Scotland; Standard Bank Investment Corp; TSB Trust; Union Bank of Finland; Verbrancherbank.

Australasia and Japan:

ANZ Bank; Australian Federation of Credit Unions; Dai-Ichi Kangyo Bank; Fuji Bank; Macquarie Bank; Nomura Securities; Post Office Savings Bank of Singapore; Sanwa Bank; Sumitomo Bank; Westpac.

The list is quite diverse: there are banks, insurance companies, building societies, and even a software firm. They are big and small, and hail from all quarters of the globe; all of which suggests that the innovative spirit is not too choosy about where it dwells.

The list tries to mark institutions in four ways: by the strength of their corporate vision; knowledge of their markets; use of resources; and the quality of their innovation process.

None of the 40 scored on all four. But not surprisingly, Citibank of New York ranks among the best, living up to its reputation as a pioneer. However, while it scores in the first three categories, it does not get a mark for innovation itself, which suggests that Citibank knows whare it is going and manages its resources well, but does not necessarily come up with the bright ideas.

Just as predictable possibly, is the inclusion of Merrill Lynch, largely for its much-copied cash management account, of Allied Hambro, the go-ahead UK investment and insurance group, and of First Interstate Bank which has pioneered franchise banking in the U.S.

Nomura, the giant Japanese securities firm, gets a mark for innovation. Sears Roebuck, the U.S. retailing giant which is moving into financial services, also gets a mention for the use it has made of its mail order catalogue to cross-market products from subsidiaries, like Allstate Insurance.

Among smaller banks, those who score are Banc One, the Ohio bank which is linked to Merrill's cash management account, and has been inventive in its own right, and the Co-op Bank of the UK for its skilful marketing of new products.

The Nottingham Building Society and the Credit Commercial de France are recognised for their ground-breaking work in electronic home banking, though that begs the question why Chemical Bank, which has led the way in the U.S., is not included.

The insurance world does well: London Life of Canada, Empire of America, Crown Life of Canada, Friends Provident of the UK and Liberty Life all score on several counts.

Special cases include the Post Office Savings Bank of Singapore for its successful staffing policies and Hogan Systems, the Dallas software group which has developed a sophisticated series of programmes for banks.

Just as noteworthy as those institutions which are included, though, are those which are not. None of the big UK clearing banks gets a mention, and only a handful of big banks from other countries make the grade. The list seems to confirm that, at least among banks, the smaller tend to be brighter.

But does innovation really matter? Are there not special risks, particularly for financial institutions, in striking out too far? One reason why PA undertook the study is that financial institutions have never been as innovative as industrial companies, and it may be alien to their nature.

But Hodgson believes that the ability to come up with good new products or services is increasingly important. "The key factor is going to be the ability to innovate successfully," he says.

* *Innovative success in retail financial markets. PA Consulting Group, London.*

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Painted sign

I refer to the item concerning a painted "Cafe" sign in Business Problems on May 1.

You appear to confuse general planning legislation with that specifically applicable to the control of advertisements. The powers of a planning authority in respect of the latter are provided by Statutory Instrument 1984, No 421 — The Town and Country Planning (Control of Advertisements) Regulations 1984. By virtue of Part I Section 2 of these regultions, the painted word "Cafe" on the roof of the building is an advertisement as defined.

Part III Section 11 (1) states ". . . where a site was being used for the display of advertisements on August 1 1948, the site may continue to be so used after the date of the coming into operation of these regulations without express consent, subject to the power of the local planning authority to require the discontinuance of the use of that site under Regulation 16."

Regulation 16 states: "The local planning authority, if they consider it expedient to do so in the interests of amenity or public safety, may serve a notice under this regulation (referred to in these regulations as a "discontinuance notice") requiring the discontinuance of the display of an advertisement which is displayed with consent deemed to be granted under these regulations . . . or requiring the discontinuance of the use of a site for tha display of such an advertisement . . ."

In the case in question, the local planning authority has the power to serva a "discontinuance notice" requiring the removal of the advertisement. There is, however, a right of appeal to the Secretary of State.

The requirement that the notice served by the local authority should be in the interest of amenity or public safety should give the inquirer a goodish chance on appeal but the notice itself cannot be invalid.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Business courses

Introduction to supervision in a computer related environment, Staffs. July 2-5. Fee: £235. Details from course administration, Compower Training School, Compower Limited, Cannock, Staffordshire WS11 3HZ. Tel: Cannock 2511. Telex: 339638.

New directions in merchandising, London. June 26-27. Fee: £285 + VAT. Details from the Retail Management Development Programme, 61-63 Ship Street, Brighton, Sussex BN1 1AE. Tel. 0273 722 687. Telex: 87323 FSI G RETAIL.

Developing women's effectiveness: the way ahead, Manchester. June 26-27. Fee: £150. Details from Ann Cooke, Women & Training, GLOSCAT, Oxstalls Lane, Gloucester GL2 9HW. Tel: 0452 501795.

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THE ARTS

Television/Christopher Dunkley

Take note of nothing on the box these days

At parent-teacher meetings, cocktail parties and book launches when the conversation turns, as it always does, to the subject of television you hear the same thing again and again: "There's nothing on these days, is there?" It is an odd assertion, stemming, I believe, largely from guilt induced by the mindless ogling of unrealistic characters in *Dallas*, *Dynasty* and the like. Actually there is more on television today than ever before, and while much of it is ghastly, parts of it are marvellous — just like the contents of the public library. Consider the week day by day:

TUESDAY

Last night's "special report" on ITV, *The Secret Country: The First Australians Fight Back*, was pretty much what we have come to expect from John Pilger: deeply emotional, highly selective, and supplying as many questions as answers. The world is, of course, full of injustices but Pilger's analysis of a problem never tallies with what all viewers know from their own experience: that social and political dilemmas invariably involve shades of grey.

For Pilger, one side is wholly black and the other wholly white. In last night's report the Aborigines were portrayed as a saintly people, more civilised than the British, practising "literally a pure democracy." The British colonists were hideously cruel. A second-generation hearsay account of Aborigine infants being buried up to their necks and having their heads kicked off was retailed without question—even though the same horror story was told about the Germans in Belgium in 1914; and no doubt by the Athenians about the Spartans. It is a pity that Pilger uses such apocalyptic terms because it allows viewers to dismiss him as an "extremist" when there is, no doubt, much truth in his reports.

The latest of the BBC's recruiting series for the armed services, *Behind The Lines*, is like the Royal Tournament filmed on location: the Marines' Mountain and Arctic Warfare Cadre is about as gung ho as you can get.

MONDAY

The nightly report from *Their Lordships' House* screened by Channel 4 is becoming quite addictive. Its fault is that it is too short. Looking like a series of Victorian oil paintings and sounding like the proceedings of a very old and civilised debating society (precisely what it is, I suppose) it is engrossing but lacking in passion ultimately, tantalising: it makes you even more impatient to have the proceedings of the Commons on screen.

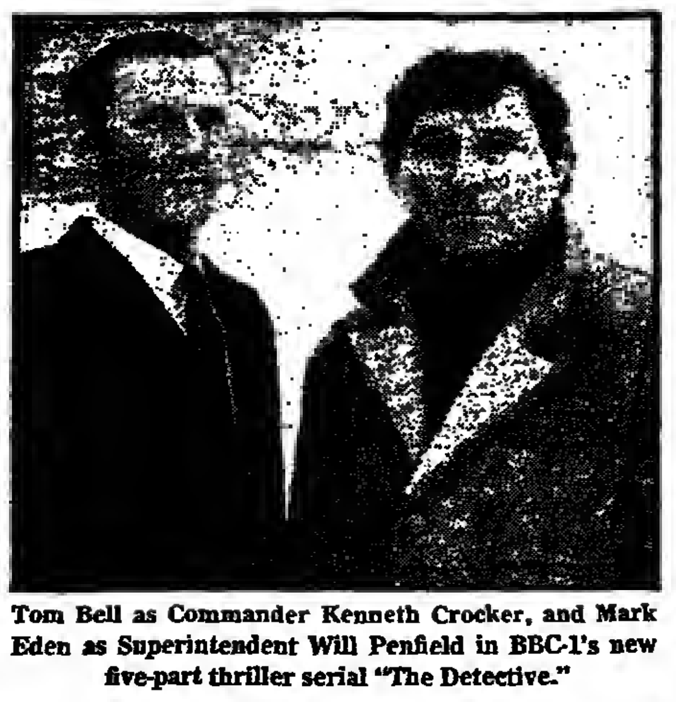
SUNDAY

It seems that with *Bleak House* the BBC is making a determined effort to reoccupy some of the high ground dominated by ITV with their magnificent adaptations of *Brideshead Revisited* and *The Jewel In The Crown*. Jonathan Powel (responsible for *Testament Of Youth*, *Pride And Prejudice*, and *Tinker, Tailor, Soldier, Spy* among others) was put in command, the experienced Arthur Hopcroft wrote the dramatisation, Geoffrey Burgon (who wrote the *Brideshead* music) was brought in to do the same for *Bleak House* and has obligingly done precisely the same, and a top Equity squad was called up with Diana Rigg, Denholm Elliott, and Peter Vaughan in the forefront. Tonight we meet Ian Hogg for the first time playing one of the earliest detectives in popular fiction, Inspector Buckett. But the two men who have done most to make *Bleak House* such a triumph are director Ross Devenish and cameraman Kenneth Macmillan. They have achieved the wonderful impression of having shot the entire piece in the mid 19th century.

SATURDAY

Even for those of us not enthralled by the Great Wembley Send-Off the day was one of sheer indulgence, thanks to BBC1. First they showed *El Dorado*, Howard Hawks' 1966 re-make of his own excellent 1959 Western, *Rio Bravo*. In the later version everyone from John Wayne to James Caan *seems to be running* in autopilot, but it is precisely the sense of good-natured effortlessness which supplies most of the charm. That and the self parody: "What brought you?" Wayne asks Arthur Hunnicutt after a long and frantic gunfight. "I thought I heard a noise" is the reply. Why can television not make its own material as entertaining as this? Technically there is nothing here beyond the resources of BBC Television Centre.

The movie was promptly followed by *The Kenny Everett Television Show*. Although there is, sadly, much less technical virtuosity than there used to be, Everett's strike rate is very high for someone so profligate with material. In 20 years' time these shows will look dated, but interestingly so, and they will still be very funny. This week's Jekyll and Hyde version of Mrs Thatcher was wickedly pointed.



Tom Bell as Commander Kenneth Crocker, and Mark Eden as Superintendent Will Penfield in BBC-1's new five-part thriller serial "The Detective."

FRIDAY

BBC1's drama serial *The Detective* is not "realistic" in the way that, say, G. F. Newman's *Law And Order* was: Newman's work could easily have been mistaken for a documentary. No such confusion could arise with *The Detective* which uses the familiar narrative structure of fiction: we cut from the incorruptible Commander Crocker in his office, to the same man at home, and from his private life to that of his randy colleague, Wilf Penfield, who is bedding the latest redhead graduate intake. Yet the story, originating in Paul Ferris's book, is fascinatingly realistic. Nobody who lived through the Profumo scandal (rumours included eight high court judges in one sex orgy, remember?) will have any difficulty in crediting a Home Secretary who pays for the favours of under-age girls.

Only two complaints so far: director Don Leaver allows Tom Bell to mumble in the title rôle, and in plot terms the detective would surely not have broken into the brothel expecting, as he presumably did, to be immediately recognised by MI5's fibre optic cameras in the ceiling.

THURSDAY

The new season of "Film on Four" has so far proved distressingly familiar in its tendency to fall between two stools, lacking the strengths of both cinema movies and television plays. *Loose Connections*, last week's opening item, was a sort of European road movie which looked as though its writer, Maggie Brooks, might originally have had something to say about feminism. If she had, it was lost beneath a thin froth of very mild jokes.

This week's offering, *Sacred Hearts*, was an over-long concoction about girls in a remote country convent during World War II. Again the point was unclear: as straightforward entertainment it was a failure, being slow, diffuse, and only occasionally funny. There were moments when religious and educational indoctrination appeared as targets, but only incidentally. When you think of a comparable work such as Vigo's 1933 film *Zero de Conduite*, which lasts 45 minutes and is inventive, cutting, and hilarious even though similarly episodic, you do wonder about the repeated claims made for Britain's film "revival" and Channel 4's part in it.

BBC2's *Global Reports* in Bogata managed extraordinary achievements in persuading the inhabitants of the barrios to re-enact events from their own lives.

WEDNESDAY

The opening episode in Channel 4's six-part series *About Time* has all the weaknesses of J. K. Galbraith's 1978 series *The Age Of Uncertainty* but none of its concomitant strengths. In both instances the problem is obvious: the subject is abstract (in 1978 economics and in 1985 time) and the reaction of the producers is to throw in everything they can think of in the way of illustration, no matter how remote the connection, no matter how laughable the result.

The great difference is that whereas *The Age Of Uncertainty* had Galbraith as a brilliant exponent whom it kept returning to, *About Time* merely has the voice-of-god making weird assertions and asking odd questions. Its owner seems to believe that no true poet or artist could be the owner of an accurate timepiece, and it asked Dora Russell whether "a woman's sense of time" had been ignored implying that all men—Wordsworth and Hitler, Einstein and Bannister—have the same sense of time.

The new series of Channel 4's late night serious discussions, *Voices*, continues the experiment started in the last series of having no chairman. Although brave, this is surely a mistake. Umberto Eco and Stuart Hall proved in their discussion about social crisis that there is no substitute for having one participant concerned more with the structure and coherence of the discussion than with its content.

Aborigine perfection, macho Marines, the House of Lords, a Dickens mystery, a funny Western, Kenny Everett, corruption in high places, convent girls, Bogota slum dwellers, the concept of time, and contemporary social crisis—just a tiny selection of the "nothing" currently showing on television.

Cunningham/Sadler's Wells

Clement Crisp

The repertory for this exhilarating season by Merce Cunningham's company was completed in performances on Friday and Monday. All the works on view have stressed both the excellence of the troupe's dancing and the range of Cunningham's invention within the lean, pared-away style which marks his recent creations. As with the late piano music of Gabriel Fauré, we find the excision of everything unnecessary to crystaline form, to clarity of utterance. On Friday the new works were fiercely contrasted: the self-sufficiency of the movement in *Doubles* set against the dark mood and anguish of *Quartet*.

Doubles is played out against a sound-track of starling twitter, and its procedures depend upon parallels and repetitions of movement, upon duets of fascinating variety. Though I am told that there exists a version for an alternate cast whose performance of the same moves gives the piece its title, the doubling of material may also be *understood* on the internal terms of the piece's structure.

Quartet is one of Cunningham's most sombre creations. Despite an implicit joke in its title—there are five performers; the score is a solo by David *Tudor* named "*Sextet* for seven"—there is no lightness or ease in it. Merce Cunningham is seen as a figure at once removed (by dancing and gesticulating from the back of the stage at the more active quartet of the cast) and also involved in their behaviour as he joins their groups or seems to direct them by semaphoring anguish and flickering gesture.

Trails, which entered the repertory on Monday, is concerned with the way ten dancers explore the stage in lines of movement, sometimes gripped by corporate ideas which then dissolve, but usually shown in brief entries in which the choreography traces patterns, individual cells of dance which interact but rarely. Very different is *Native Green*, which followed *Trails*. Here Cunningham continues his study of duet form. Three couples are displayed in undulating, very lyrical partnerships, the girls curling and nestling against their partners, the larger shape of the work often exposing little fugues and canons as the pairs recapitulate and transfer movement in long phrases, one to another. It is a gentle work in mood, danced to a score by John King (who performed it on Monday) for a "prepared" violin which is used to create sounds suggestive of a gamelan, of animal noise, and of tense, grating cries.

Its final moment finds the three couples leaning against an arch which they suddenly create from a piece of tubing: it is unexpected, a final vivid image from a work which is filled with just such rewards for the eye. But then, so is the entire Cunningham repertory.

Lucia/Covent Garden

Max Loppert

A month after the glorious series of *Lucia di Lammermoor* performances with Joan Sutherland and Carlo Bergonzi, the Royal Opera has organised a mini-reprise of the work with major changes of cast. The Italian *soprano Lucia Aliberti*, new to London, takes over the title role; she is already known at Glyndebourne and Wexford, though her main career has been built up on the continent.

When proper allowances have been made for the minimal rehearsal that Monday's performance obviously received, *and* for the *nervousness* naturally attendant upon an important debut, it has to be said that Miss Aliberti hardly showed us a Lucy of Covent Garden calibre.

The voice itself is a curious, not uninteresting instrument: its different registers are extremely distinct in their colour and timbre, and particularly from the hooded quality of the lower ranges Miss Aliberti is able to make dark, tangy sounds reminiscent of Callas (this is a similarity the singer herself has quite evidently nurtured). But the underlying technique is un-Callas-like (sketchy trills, diction, and intonation, a constant reaching up to notes, and a dully predictable attitude to phrasing being among its most noticeable flaws); more important, there is never any sense of musical line and dramatic characterisation emerging, as with Callas they always did, out of a single artistic impulse. In the later stretches of the *Mad Scene* there began to glimmer a faint indication of the fine performer Miss Aliberti could still become with assiduous schooling—but too late to win indulgence for this immature sketch of Lucy.

This was one of those evenings when provincial standards ruled unchallenged at Covent Garden. A capable, unremarkable bass waving his arms about (Roberto Scandiuzzi, another Italian debutant); an air of lassitude in the *chorus*; a conductor (John Barker) and orchestra apparently on no more than nodding terms of acquaintance—no doubt it was all rather harder to bear after the noble Donizettian qualities of the earlier *Lucia* series. A particular disappointment was the Edgardo of Luis Lima, previously a London Nemorino and Don Carlos. The Argentinian tenor is one of the most attractive figures currently active in Italian opera; but little of the personal charm got into the singing. On this occasion, indeed, Mr Lima pushed his voice so hard that in the final scene he (and it) paid an inevitable price.

The Glass Menagerie/Greenwich

Martin Hoyle

How much does the durability of Tennessee Williams's earliest success owe to our extra-dramatic knowledge of the writer's life? Tom (Williams even gave the play's narrator his own Christian name) had a sister whose isolation went further than shy Laura's, and his mother was as dominating as Amanda.

The biographical elements may explain much of the work's piercing directness and unwavering accuracy but are not a necessary part of the play-goer's homework. In common with *Who's Afraid of Virginia Woolf?*, another play almost impossible to do badly, *The Glass Menagerie* is so well constructed that it never fails to move. Many prefer this crystalline fragment of memory, its pale, flickering sparkle as elusive as summer lightning, to the florid wallowings of the later Williams with his closet-minority's self-indulgent mixture of flouncing bravado and coy evasiveness.

Alan Strachan's production brings Constance Cummings to Greenwich. *Miss Cummings's* beauty is almost too distinctive for a St Louis alleyway, and her residence in this country has lent her deep south accent a faintly Australian twang.

This Amanda is a sinewy battler. One believes in the passionate devotion to her two *outsider* children and in the constant fight to maintain appearances, dignity and high *spirits*. Slightly less credible is the alleged gentility of her southern past. This matriarch *is tough; even her* tears are part of a strategy. Otherwise this moving, infuriating creation emerges with all the inconsistency of truth: loving and bullying, protecting and stifling.

This distinguished performance is supported by Gerard Murphy's Tom who has obviously inherited his mother's *ferocity*. He punches out his words vehemently (no sign of the dreamer that he is supposed to be) and is a more likely recruit to the Merchant Marine than some Toms one has known.

Michael J. Shannon's Jim is a real American embodying real American virtues. Buoyant, confident, naive, overpoweringly friendly playful, this is a very complete gentleman caller and explains all too easily Laura's hopeless crush. Toria Fuller starts as too normal, too ordinary, but comes into her *own* when briefly blossoming under his concerned interest. Only a needlessly dowdy set by Bernard Culshaw detracts from a powerful performance of a perennially touching play. William's best? Discuss.

Pollini/Festival Hall

Andrew Clements

Maurizio Pollini's recital at the Festival Hall on Monday began with Berg and Schoenberg, thereby qualifying for *inclusion in the* Barbican-centred "Mahler, Vienna and the 20th Century" Festival.

The Second Viennese first half proved to be rather more successful than the two sonatas of Beethoven's Op. 27 after the *interval*. *Pollini's* fluency in Schoenberg is a known quantity; his playing of the Berg Sonata Op. 1 was more novel—cool, elegantly outlined, rendering the massive climaxes with clarity and restraint while keeping the highly wrought expressivity at an arm's distance.

The sonata was consequently brought closer to the world of Schoenberg's piano music than to the late-romantic tradition that bears more directly upon it. *Pollini* followed with Schoenberg's Opp. 11, 19 and 23, all quite admirable in their sense of line and texture, their absolute control in the fastest, densest writing. The high compression of the Six Little Pieces Op. 19 suited him best, making the point of each miniature with the maximum efficiency; Op. 23 perhaps needed more pungency, though the final waltz emerged as a delicate abstraction of Viennese popular taste.

What to make, though, of the two Beethoven sonatas? Both bear the qualifying title of "Sonata quasi una Fantasia" and there were moments when Pollini appeared to be trying to restore them to classical purity, with stark contrasts of tempo and manner. The beginning of Op 27 no 1 in E flat was exquisitely poised, with the barest hint of rubato to break up the squareness of the phrasing, but the central section was taken at such a lick that detail was entirely blurred, and one was left with an impressionist haze. Perhaps that was the *intention*.

Yet the components refused to gel into a convincing unity. In *isolation the rapt unfolding* of the Adagio would have been a timeless point of repose, here it was out of place. Similarly the Moonlight Sonata Op 27 no 2 seemed strangely unintegrated: an Adagio sostenuto of nerveless beauty, serious *scherzo*, fierce, drilled finale, and a total effect that was decidedly unsatisfying.

Jazz concert in Hampstead

The next concert at the University College School, Frognal, London, NW3, will be tomorrow, Thursday, and will be a charity performance in aid of Guide Dogs for the Blind. Appearing will be blind pianist Eddie Thompson with Len Skeat (bass), Jim Hall (drums) and guests John Barnes (saxes) and Roy Williams (trombone). Full details from (01) 435 2215.

O'Casey, Ionesco/Almeida

Michael Coveney

Two short plays, one farcical, one absurd, by two of the century's most influential dramatists, made for an intriguing bill at the centre of Nancy Meckler's Leicester Haymarket company visit to the Almeida.

O'Casey's *Bedtime Story* and Ionesco's *The Bald Primadonna* both date from the early 1950s. The first is an ebullient caprice, here receiving its English professional première, about a pious young Dublin bachelor recovering from an impulsive overnight liaison with a vivacious whore.

The second piece, now rendered virtually obsolete by developments in popular humour since the Goons and Monty Python, is a tribute to neither Lindsay Kemp nor Yul Brynner, but "a maniacal assault on the banality of English suburbia" (Tynan's phrase)

Both plays fit neatly on to Annie Smart's domestic interior of flowered wallpaper, craftily amended from Dublin lodging house to chintzy front room. John Jo Mulligan's idea of taking a girl out is to wheel her off to Benediction. Michael Mears, perhaps over-doing the bespectacled foolishness of John Jo, nonetheless paints an amusing portrait of a quivering stalwart of the St Vincent de Paul Society trapped between the sluttish and deceitfully mercenary demands of the bubbling Angela Nightingale (lively work from Kate Fitzgerald) and the nosy censoriousness of his landlady (Hazel Ellerby) and fellow lodger (Bernard Strother has a minor field day as the delightedly put-out Daniel Halibut).

Nancy Meckler's direction is unbuttoned in O'Casey, correctly clinical for Ionesco. The Smiths are entertaining the Martins; no-one except the maid ("My real name is Sherlock Holmes"), is certain of anything. The Martins even untangle their relationship until, to *their mutual surprise*, they lay claim to the same bed. Cartesian arabesques culminate in the arrival of a fire chief (Mr Mears again) who launches into a convulsively complicated genealogical riff before assuring the company that the bald primadonna still wears her hair in the same style.

I now find this sort of stuff more trying than funny, but the show is saved by the squintingly glacial supervision of Linda Bassett as Mrs Smith. Her truly brilliant characterisation floods the sea of inconsequent triviality with a pumping supply of devastating suburban tics and signs, creating the genuine Ionesco mood of lunatic but entirely subdued normality.

Gallery's late night opening

The National Gallery is to remain open *until 8.00 pm* on Wednesdays throughout June, July and August.

Saleroom/Antony Thorncroft

Bear Market

Probably the most interesting price paid in the salerooms yesterday was the £2,090 bid at Sotheby's for a teddy bear. It was an auction record for a bear, and secured a "blonde long plush" bear made in Germany by Steiff in about 1905. Sotheby's had been more cautious about its appeal, placing a top estimate of £500 on the lot.

Sotheby's toy sale did very well. A very rare George II wooden doll, made in England around 1740, was within forecast at £15,400. The doll comes with its own sampler, giving her name as Elizabeth Tichbourne. It was owned by a child of that name who later married an MP, William Davenport.

The doll, sent for sale by the doll historian Mrs Mary Hillier, was bought by a French collector, Madame Vierner, who also paid £8,800 for an even rarer object, a minature carriage bearing a doll, dating from around 1770. Nothing like it had been seen at Sotheby's but the price was slightly below expectation.

The fanaticism of doll collectors was indicated by the price of £10,450 for a 20th century boy doll made in Germany around 1910. It was dressed in a Stuart tartan. The high price was attributed to the rarity of the mould. It came to Sotheby's after its doll expert Bunny Campione had taken part in a "talk-in" on Radio York.

Another keen collecting area at the moment is English *ceramics, the* morning session at Sotheby's totalled £154,960, with just 6 per cent bought in. A pair of Flight, Barr and Barr apple green *urns* of around 1825, part of a large Worcester collection, sold for £6,820—in 1982 the pair had been bought for £1,375 at Sotheby's.

A rare Worcester yellow ground bowl of about 1770 more than doubled its estimate at £5,720 while Simpson, the Bradford-on-Avon dealer, paid £4,290 for a Flight, Barr and Barr vase and cover of about 1825.

Sotheby's was also selling Chinese ceramics in Hong Kong yesterday. A collection sold to benefit the J. T. Tai Foundation brought in £740,215. There was a high unsold percentage of 34 per cent, largely attributable to two lots, a very rare underglazed red figure of an acolyte of *the 14th century*, and a *pair* of Imperial "famille rose" bottle vases, which failed to find buyers.

A celadon-ground "famille rose" Moonflask, Qianlong, did very well, selling for £148,797, and a rare Junyao flowerpot of the Song dynasty made £121,242. Robert Chang, the Hong Kong dealer, bought an Imperial "famille rose" bowl, Qianlong, for £110,220, and another Song dynasty Guanyao vase fetched £90,381.

A painting of Christ and the woman of Samaria by the 18th century Italian artist Batoni *sold for* £95,000 at *Phillips* yesterday to Colnaghi, the London dealer. The price was three times the top forecast for a picture currently *in* bad shape, but which will doubtless be beautifully restored.

The sale of Old Master pictures totalled £626,800, with 29 per cent unsold, largely because a still life by Ambrosius Bosschaert, the Younger, failed to find a buyer. A portrait of Lucretia by Ambrosius Benson, which had *once* belonged to *Cardinal* Fesch, sold for £46,000, and a still life of flowers attributed to Christoffel van den Berghe, for £44,000.

Rostropovich at Aldeburgh

Mstislav Rostropovich, the Russian cellist, conductor, and one of the artistic directors at Aldeburgh, will celebrate Bach's tercentenary at Aldeburgh from August 8-11. He will give the first performance of Britten's last unfinished work for chorus and orchestra, "Praise We Great Men," a setting of a poem by Edith Sitwell.

Artists taking part in the festival include Heather Harper, Anne-Sophie Mutter and the Philharmonic Orchestra

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

May 17–23

Theatre

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, à la Supremes, without the quality of their music. (239 6200).

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organisation has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

The Real Thing (Plymouth): After 14 months in London, Tom Stoppard's latest giggle at the English intelligentsia, with a new-found attention to the heart that beats beneath the veneer, directed at a fast clip by Mike Nichols. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

Noises Off (Brooks Atkinson): The closest Broadway gets to the British farce tradition is this import of Michael Frayn's funny backstage view of all the slamming doors and dropping drawers. (245 3430).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Other Places (Duchess): Colin Blakely and Dorothy Tutin in a reassembled trilogy of Pinter plays: A Kind of Alaska in which a victim of sleeping sickness awakes after 29 years; Victoria Station, a funny throw-back to Pinter's early revue sketches; and last year's One for the Road, a chilling piece of intimidatory police state confrontation with first Pinteresque intimations of political despair. (836 8243).

The Government Inspector (Olivier): Striking but unfunny revival with under-equipped TV comic Rik Mayall playing the poseur as a shrieking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Gunter's imposing design of bureaucratic bumf, the show has a sort of monumental starkness as well as nightmarish tedium. New translation by Adrian Mitchell. (928 2252).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earth bound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

Richard III (Barbican): Last year's Stratford-upon-Avon production with Antony Sher demonically exciting as Richard in the RSC revival by Bill Alexander. Plays in repertory with Roger Rees as Hamlet and Kenneth Branagh as Henry V. All worth seeing. (628 8795, credit cards 638 8891)

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Wednesday May 22 1985

Pangloss in Wall Street

NOT FOR the first time, the U.S. financial markets—and for that matter the currency markets—are out of step with the opinion of economists on the U.S. outlook. Market participants will not be unduly worried ebout this; they have been triumphantly right, against the economic consensus, for a long time now. All the same, a market that bits an all-time high in face of slowing activity and declining profits and investment and merely pauses for reflection when already lacklustre figures are revised downwards, seems to be getting a little out of touch with reality.

What is more, the securities and currency markets seem to be listening to different echoes of their own optimism. Shares rise because investors believe that the Fed has shown that it will cut rates to keep the recovery going. The dollar firms because a higher inflation figure suggests that policy will remain tight. This time, perhaps, the economists are right.

It was Dr Pangloss in Voltaire's Candide who personified the doctrine that all news is good news; and when the markets show signs of Panglossian thinking, it is useful to dwell for a little on the darker side of the picture. The case for gloom is unhappily quite a strong one and the case for an economic rebound, originally expected in the first quarter of this year, but now, according to the U.S. Treasury Secretary, Mr James Baker, equally unlikely in the second, looks more and more like wishful thinking.

No mystery

It is bardly news that the U.S. manufacturing sector has heen badly hurt by the strength of the dollar, hut the extent of the damage is easily overlooked. According to recent figures from the U.S. Census Bureau, profit margins on sales in the durable goods industries bad already towards the end of last year dropped to about 4 per cent, at the end of a period of very rapid growth in the economy. They have probably fallen further in the subsequent months, to not mucb more than half the margins normally expected in a mature recovery.

There is no mystery in this; both capacity utilisation and productivity growth are also well below cyclical norms; and the result, a sharp cut in previously announced investment plans, is natural. Deliveries of non-defence investment goods have fallen very sharply this year—though the order picture, due partly at least to advance orders for a new computer range from IBM, looks bealthier. More suggestively, there has been a rise in inventories. In the past, such a picture in the capital goods market has nearly always presaged a recession, not a rebound.

Retail demand, it is true, remains substantially stronger—thanks in part to consumer anticipation of large tax rebates, now being paid after a delay due to computer breakdown. This, however, presents a dilemma for the Fed; further easing may stimulate further consumer borrowing but do little for output and incomes, adding to the U.S. current account deficit while doing little to address its cause, the U.S. Federal deficit. The odd decision to cut discount rates two days ahead of the meeting of the Fed'a open market policy committee suggests an uneasy compromise, struck to pre-empt too much discussion at this stage.

Best hope

The authorities also face a dilemma when it is time to speak in public. Mr Volcker has made no secret of his wish to see the dollar ease in the foreign exchanges, and Mr Baker has quietly backed him. However, openly gloomy statements about the short-term outlook, which could help the dollar down, might prove politically costly. Mr Baker is committed to a major effort to reform taxes—a programme which would be deeply welcome overseas; but a Reagan Administration whose aura of economic success was too badly tarnished would lose the momentum to pull off this difficult feat.

The best hope, perhaps, is that further interest rate cuts will help to austain some forward momentum—mainly, it seems likely, in the housing market—and will at last provoke a real correction in the dollar; but the currency markets have defied logic for so long that such a result cannot be forecast, only wished for. Meanwhile, the discount rate cut itself, and the fierce diplomatic pressure on West Germany and Japan especially to reflate and sustain world growth, suggests that the U.S. authorities are privately more worried than their public statements yet suggest.

Objectives for higher education

THE THATCHER Government's higher educational policy announced yesterday will probably please nobody who is seriously interested in the matter. The Green Paper outlining the proposals seems mainly concerned to tread gingerly between opposing pressures. On the one hand, it rebuffs claims by the university, polytechnic and college lobbies for a return to self-determined expansion. On the other, it rejects calls by heads of businesses for sweeping reforms in the structure of degree studies.

Academics and their associates, for example, will lament the decision to cut student capacity from the end of the 1980s. The number of places on degree courses is scheduled to fall from the present 565,000 to a low point of about 490,000 in 1996-97. But the effect is unlikely to justify the instant complaint of the university teachers' union that the cut will be damaging to the country's young people. The number of British teenagers reaching the age of normal entry to higher education will fall more steeply than the number of student places. The probable result will be soma easing of the fierce competition for university entrance in particular, and greater room for higher educational institutions in general to admit older people.

First priority

The policy might also bave been worse for business interests, even though it pays scant heed to the arguments for radical reforms voiced two years ago hy a study group led by industrialists. The group called for the replacement of the prevailing three or four-year bonours courses by less narrowly specialised programmes lasting two years. The Government'a only response to the proposal is to promise a "limited experiment" with two-year initial studies in a small number of universities and polytechnics.

In compensation, bowever, it has declared that its first priority for higher education over the next decade is to improve the sector's contribution to the performance of the economy. The most concrete promise made to this end is an increase in the proportion of engineers among newly emerging graduates, from about 13.9 per cent this year to 14.4 in 1990, and a marginal rise in the proportion of scientists.

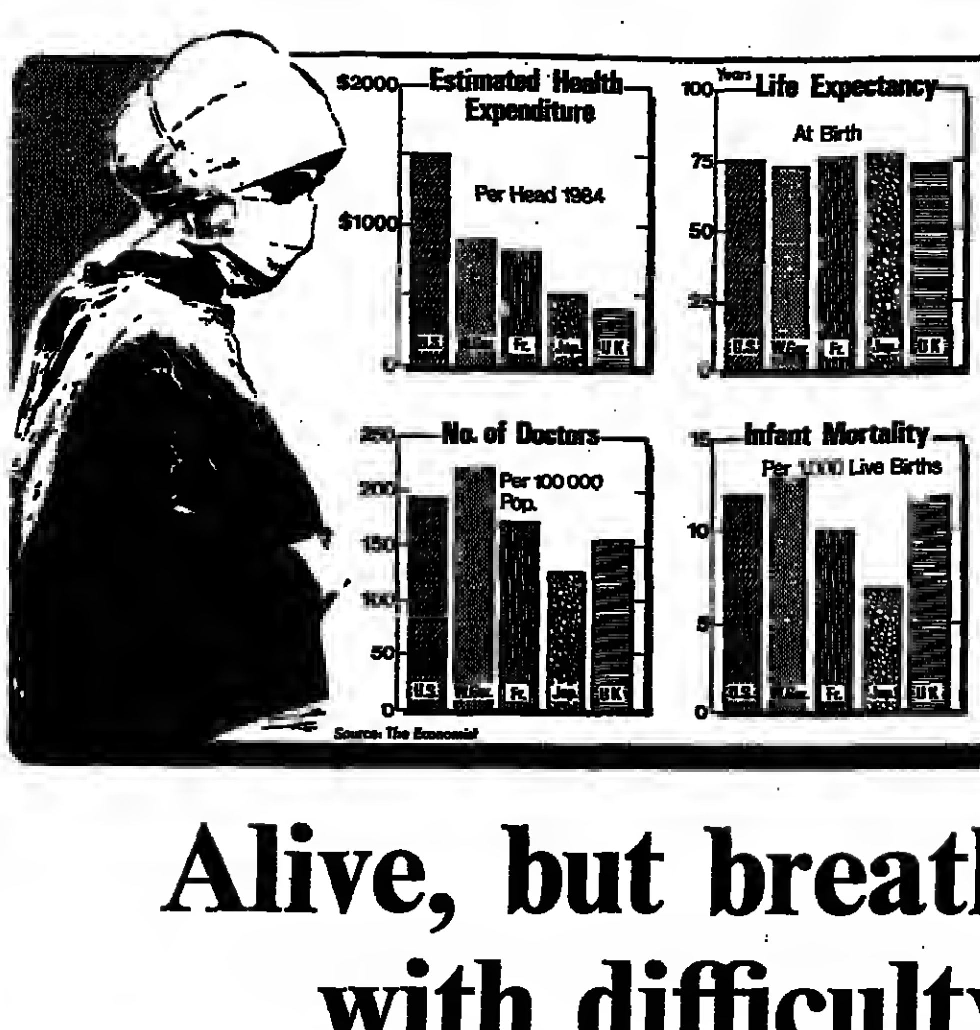
Other measures intended to sharpen the sector's economic effectiveness include concentration of scientific research and the teaching of arts in fewer centres of observed excellence, and the tightening of managerial controls. Higher educational institutions will be encouraged to pay more attention to the wants of industry and commerce and to the importance of working to develop commercially exploitable products and services.

There is little doubt of the urgent need for all such measures in the interests of economic regeneration. Without it, as the Green Paper says, the country will become less and less able to afford education for the higher order purposes of scholarship and social advance. The trouble is that most, if not all, of the measures have been advocated and promised repeatedly over the best part of two decades, but nothing has been effectively done to put them into force.

It is true that the Government pledges to be "fully engaged" in planning the proposed improvements. But planning changes is different from achieving tham and there is littla other than words in the document to raise confidence in the will of ministers to press on against the institutions' opposition. For instance, the Engineering Council is openly dubious about the universities' ability on their own initiative to achieve even the small proposed increase in the output of engineers. The council wants the Government to stipulate that universities must use a certain proportion of their funds specifically for engineering. But the Green Paper fails to take np the issue.

The hest test of tha policy will be the Government's ablility to fulfil its promises. It should try at least to do more than make—as the document says—"e further statement of intentions in 1986." By then thare ought to be some achievements as well.

BRITAIN'S HEALTH SERVICE



Percentage of GDP Spent on Public Expenditure for Health Services

	1960	1981
Canada	2.4	5.6
France	2.5	6.5
West Germany	3.1	6.5
Italy	3.2	6.0
Japan	1.3	4.7
UK	3.4	5.4
U.S.	1.3	4.2
Average of Top Seven	2.5	5.6
Australia	2.4	4.7
New Zealand	3.3	4.8
Austria	2.9	4.7
Belgium	2.6	5.0†
Finland	2.3	5.2
Greece	1.7	3.5†
Ireland	3.0	8.4
Netherlands	1.3	6.7
Norway	2.8	6.4
Sweden	3.4	9.9
OECD average*	2.5	5.8

* Unweighted average
†1980
Source: OECD

Leighton Morris

Alive, but breathing with difficulty

By Robin Pauley

TODAY, as on every working day, more than 600,000 people in England will go to see their GP and another 100,000 will see a specialist doctor at a hospital outpatient department.

In addition, 250,000 people will spend today in hospital as in-patients. If they could be joined hy everybody on the hospital waiting lists that figure would be one million. The lists include some who have been waiting painfully for years for non-emergency orthopaedic treatment and others for whom renal treament would be a life-saver if only it were available.

These figures dramatise some very basic qnestions about the future of health care in Britain. Does the National Health Service provide the finest level of general bealth care in the world? Or is it deteriorating rapidly under the pressure of rising capital costs, rapid and expensive improvements in medical technology and Government constraints on public expenditure?

The NHS now costs £13.7bn a year, about 10 per cent of all UK public spending, but the Government's promise that it will protect and improve the NHS by increasing spending in real terms every year looks likely to turn out to be true on paper, but false in fact. Economic factors, such as rising inflation and competition for squeezed public spending resources are one reason. Social factors, such as changing demographics and ever-rising expectations of improving life quality and medical care, are a second.

The Government's much ignored green paper on public expenditure and taxation into the 1990s, "*The Next Ten Years*," published with the 1984 Budget, recognised the problem.

It said: "As with social security, demographic changes constitute a major influence on this programme. Health care costs are dependent on age. At present the costs in the 0-4 age group are twice as much per head as for those of working age; for the 65-75 age group about four times as much and for the 75 and over age group about nine times as much.

"Until the early 1990s and again from the early years of the next century the proportion of the elderly and very elderly in the population is forecast to rise. In particular, the numbers of those over 75 are forecast to rise from 3.5m in 1984 to 3.8m in 1994.

"If current levels of spending on the hospital and community health services per head of population in different age groups were to remain constant over time, spending would need to rise somewhat under 1 per cent a year between 1983-84 and 1993-94 simply to keep pace with demographic changes."

In the short term, the Government has committed itself to this 1 per cent real growth target. But even this is a much lower level of growth than hitherto. Spending on the NHS has tripled in real terms since the 1950s; since 1978-79 it bas grown by nearly 17 per cent, after allowing for inflation.

But as Mr Norman Fowler, Social Services Secretary, pointed out in his first annual report on the NHS: "In terms of input volume—what money can buy for the service—the NHS rise since 1978-79 means an increase of 7.1 per cent; this lower figure reflects the fact that Health Service costs rose faster than general inflation over this period."

Moreover, even the 1 per cent rise in real terms provision for the NHS now looks in doubt. Tbe assumptions in the most recent public spending white paper show general inflation as measured by the GDP deflator rising by 4.5 per cent in the current year, a figure which is now regarded as optimistic. Unless Mr Fowler can extract some compensation from the Treasury's contingency reserve, higher inflation will have to be paid for out of the NHS hudget already fixed. Equally, any pay settlements within the service above the Government's assumption of an overall 3 per cent pay rise will have to he internally funded either by improved efficiency or by service cuts.

As Mr Fowler said in his annual report, NHS costs tend to rise faster than general cost levels in the economy. This is principally because advances in medical technology now prodnce immensely sophisticated diagnostic and treatment machinery, such as body scanners, at very high world prices. The public spending gren paper noted: "Where they involve expensive equipment, expensive surgical techniques or new drugs they can lead to powerful demands for increased funds. Even where unit costs have been reduced, widespread demand for such treatment may strain the resources availavle."

These seemingly inexorable pressures are at the root of Mrs Thatcher's decision to change the approach to the NHS, Europe's largest single employer. Her's is the first administration, for example, to insist that the NHS be run on business principles wherever possihle. To this end new emphasis on efficiency, value for money and, above all, management has been introduced.

Hospitals—half of which were built in the last century—are to be put in the hands of responsible managers, doctors are to be made to understand, and account for, bndgets and resources nad the NHS now has a mangement board whose chief executive is Mr Victor Paige, former chairman of the Port of London Authority and the National Freight Consortinm. Alongside this is the introduction of tendering and competition wberever possible in the service together with the contracting out of some services and an encouragement to the private medical sector to expand and develop.

> NHS staff and patients have to stop thinking in terms of 1960 when the UK was top of the league

The problems of providing adequate health care are not unique to Britain; nor is Brilain alone in baving a sophisticated bealth-welfare system which is largely free at the point of delivery. The UK was an early leader in the field but many other countries have since caught up and overtaken it—a notable exception being the United States which still has a very poorly developed system of welfare bealth service hut a highly developed and very expensive system of private health care.

The table shows how Britain has slipped in the health service expenditure league table. In 1960, Britain and Sweden led the OECD states, but by 1981 Britain was not only way behind Sweden and several other countries but also below both the 5.6 per cent Big Seven average and the 5.8 per cent OECD average.

To hold its 1960 position, Britain would need to be spending £31bn in 1985-86 on public sector health provision, more than double present spending.

However, the crude "share of GDP" comparison is increasingly frowned upon as a reliable indicator for the quality of service—bigher spending does not necessarily mean better bealth or longer lives. Taking total public and private expenditure on health care together, the U.S. spends three times as much per head as Japan and Britain without significantly better results as the chart shows (although care needs to be exercised about the different definitions of infant mortality).

Different countries have different priorities. In the U.S. for example there is colossal expenditure on attempting to prolong life in apparently hopeless cases. Up to 30 per cent of all U.S. bealth care expenditure is expended on the last four weeks of life, according to aome estimates.

Yet even if Britain is falling behind, however the comparative figures are calculated, there has been an enormous expansion in the NHS in the past 20 years. The figures speak for themselves.

Total staff are up from 450,000 in 1963 to 600,000 in 1973 and 827,000 in 1983 in the NHS in England alone; more patients are receiving more bospital and out-patient treatments than ever before; more drugs and higher nursing-patient ratios have improved the quality of health care, but not at a fast enough rate to make people think that it is better than, or even as good as, it was. "Pressures for additional expenditure continue to be strong and there appears to have been little if any effect on the gap between services and expectations," the public spending green paper warned.

All this leads to four important conclusions. First, at current levels of provision and allocation, Britain must accept that its relative position against OECD partners is likely to fall still further. In addition, even the much-criticised levels of provision sustained since 1978-1979 probably cannot be maintained so that, after allowing for NHS cost inflation, demographic changes and constantly rising expectations, people *believe* the NHS is as good or better than it was. The relative position has been slowly slipping for ao long under a string of governments that billions of pounds would now have to be added into the NHS budget to make up.

Second, therefore, a different view of the NHS will have to be taken both by its customers and by its staff. Traditional complaints about decline are clearly not going to be met by a massive injection of new resources.

Doctors, health authorities and patients have to stop thinking in terms of 1960 when Britain was at the top and start thinking about 1985 when Britain is below average. Reorganisation of services and more emphasis on efficiency is inescapable.

Third, a painful consequence of this situation is that rising expectations are not going to be met. This inevitably means that very hard choices will have to be made: some patients may be in discomfort which could be alleviated. At another level patients may die who could, given unlimited resources, be kept alive.

This is the case, for example, with both heart by-pass surgery and renal treatment which are very expensive and which are offered much less in Britain than in the U.S. and some European countries. The number of new renal patients accepted for treatment in Britain rose from 22.1 per million population in 1979 to 33 in 1983, but demand still outstrips supply for both dialysis and transplant. The Government has set a target of at least 40 by 1987 but the shortfall means that rationing, which principally falls on the over 65s, will continue.

Fourth, the balance of emphasis of the health service is likely to swing further back towards care outside the service and away from attempts to cure everything for everybody. The indications are already there—shorter hospital stays, more day surgery, more care in the community and at home for the mentally ill and handicapped and the chronic sick. This does not eliminate costs but transfers part of the burden to local authorities and/or the pockets of individuals who may in their turn be ill-equipped to shoulder it.

There are already very strong pressures on local authority expenditure where key caring services like bome helps and personal social services are being restricted. Together with pressure on NHS external services such as health visitors and home nursing, this means that home and community support services are also having to make painful rationing choices similar to those within the NHS.

One likely outcome is that the middle classes, the most articulate users of both NHS and local authority services, may find themselves choosing, albeit unwillingly, to pay for the kind of support systems they have come to know and expect.

It is clear that the Government is not prepared to allocate the scale of funds required to reverse this trend in NHS provision. And it is doubtful whether a future government, given other competing claims on resources, would be ahle to do more than hold the present line or make marginal improvements without substantial increases in taxation.

The NHS is not dying; it is alive, but breathing with difficulty. But the ideal—and idealistic—form of it which many people cherish *is* dead, if, indeed, it was ever really more than an ideal in the first place.

Men and Matters

Forging new links

SHEFFIELD'S STEEL mafia continues to deal with its problems in its own ways. Yesterday, without warning, came news of the resignation of Devid Clarke, the first managing director of the star-cross'd Sheffield Forgemasters.

Clarke follows Don Hardwick, Forgemasters' first chairman, wbo left in December wben the group was raising additional capital because of much worse results than expected.

Forgemasters was set up in November, 1982 in the bope of salvaging something from the big press forging businesses of the British Steel Corporation and Johnson and Firth Brown. Hardwick, a former master cutler, had led JFB through a major steel investment programme in Sheffield in the 1970s only to find demand disappearing in the early 1980s. Clarke had a similar experience down the road at BSC's River Don works, where he had been general manager from 1977.

When Forgemasters was formed, the BSC man won the front line job, hnt it turned out to be a hollow victory. Clarke closed plants, cut the combined workforce by 40 per cent and looked all over for new business, but the times were against him. Forgemasters has lost nearly £30m since being set up and, although orders have at last begun to improve, profits are still some way away.

In any joint public-private sector venture, it is often difficult to detect shifts in power, but Forgemasters today is a particularly inscrutable case. Neither BSC nor JFB seems to have much influence anymore.

The new chairman is Thomas Kenny, who as chairman of the engineering group GEI International, is perhaps best known for his salty comments on governments of all stripes in his annual message to shareholders. He is also very familiar with the Sheffield steel scene, as GEI owns one of the few surviving private sector groups there, Sanderson and Kayser. Kenny took with him to the Forgemasters board another GEI executive director, Ed Thompson.

Now he has taken on Phillip Wright, a senior executive of the Aurora group, to succeed Clarke as managing director. Aurora, it will he recalled, nearly went hust three years ago after trying to rationalise the special steels industry. Wright, another veteran of the Sheffield steel scene, presumably makes the move with the hlessing of Douglas Morton, Aurora's md. Morton is also a director of Forgemasters.

Hot air time

The Australian invasion of British television continues apace. As well as Bruce Gyngell presiding over the British breakfast table at TV-am, Jonathan Shier, aged 37, has just landed the top selling job in independent television — as sales director of Thames, the largest independent television company.

Shier was poached by Thames from Scottish Television, where he is credited with successfully raising tha advertising rates over the past year when, in general, the advertising revenne of the independent companies has slumped.

Thames has not had a sales director since tbe departure of Tony Logie in February to run the sales campaign of Sky Channel, the cable entertainment channel.

Shier will have his work cut out. London has been losing out in its share of edvertising revenue to the regional stations. Thames very much wants to see that process reversed.

Thames is expected to announce in September profits of between £8m and £9m for the 1984-85 financial year, well down from the record £13m of the previous year.

"In view of the prison overcrowding, I sentence you te three years in a bed and breakfast hotel on the South Coast"

Retreat sounded

Albin Chalandon is, these days, a man who helieves that the intellectual tide in France is swinging in his favour.

He set the French Chamber of Commerce in London huzzing hy preaching the pure doctrine of free enterprise for France—urging not only a government retreat from the management of business and industry, hut also a substantial rolling back of the state sector through privatisation.

Chalandon, aged 65, was chairman of Elf-Aquitaine for six years until 1983. Then, when he could no longer see eye-to-eye with the socialist government over chemical industry restructuring, he was sent on his way by the politicians.

He is now arguing that France's current pbase of low growth is due to government intervention in business and an over-large public sector. He dislikes the way that technocratic civil servants have been put in charge of large public companies. "They do not necessarily make very good businessmen," be laments.

Many of his views on the need to restore market disciplines in France sound similar to lectures the Conservatives have been giving the British over the last few years.

But dirigism is deeply ingrained in Frencb public administration, and would not be lightly abandoned by a future French Centre-Right government.

Naughty 'sixties

Sir James Cleminson, president of the Confederation of British Industry, cbose as the theme of his speech at the CBI's annual dinner in London last night, "How will we, the managers of today, be jndged by those wbo follow?"

A perfectly respecteble text. But as be developed it, his audience was aware that he was as much concerned with hlaming the problems of today on the sins and omissions of our fathers.

There was no douht, he asserted, that the nation was now suffering because an earlier generation missed hig cbances 20 years ago.

Developing that theme, as a man wbo was an active industrial manager during the period, he said, "If we look back honestly we can fairly say that all of us—governments and industrialists alike—affectively postpooed change in the sixties and seventies. The fact that we did not hring about change rapidly eoough at that period has made it more nainful than it need have been."

There seems to be room for a society for the protection of the sixties.

Observer

Financial problems in the Gulf

The legacy of the 'briefcase bankers'

By Kathy Evans in Kuwait

THE ENGLISH manager of a major bank in the Gulf picked up the two-inch thick wad of papers on his desk and flicked through them. "Look at them—literally hundreds of loans, some of them guaranteed by the highest in the land—and not one of them can we collect on," he said.

Throughout the Gulf, the situation is similar. The turnround in the region's economies brought on by the decline in oil markets and subsequently in government spending, has left some of the region's banks—and some of the international banks with a presence in the area—with portfolios littered with non-performing and doubtful loans. The more prestigious the client, the more difficult it is proving to seek repayment.

Those once alluring Arab clients, with a legendary net worth, are now receiving a cool reception from bankers. The problem is that the good names which still remain, the truly rich, do not need to borrow. Those who do have a hard time doing so now. Throughout the region, banks are retrenching their lines of credit, and pulling back to concentrate on rescheduling their existing clients. Some foreign banks are also withdrawing their money market lines to the area.

The international banks are closely monitoring the banks in the Gulf, particularly the smaller ones. Some institutions, of course, remain sound and are are still growing. Their strength rests on the fact that they are owned by ruling families, governments, or "old" money families. Most banks in the Gulf are still net placers of funds abroad, and all have the total support of their Governments. And there is no question of banks being allowed to close their doors (as happened in the United Arab Emirates in 1977).

But in the last year this ironclad commitment by the states to support their banking systems has begun to prove a costly exercise. The Abu Dhabi Government has had to spend considerable sums to recapitalise its new Commercial Bank; in Dubai the mergers of three banks has cost the local Emirate Government several hundred million dollars; and in Kuwait, the debt problem is likely to absorb billions of dollars of public money.

Across the Gulf officials blame the banks for rushing too hastily into the market and for lending to clients who had no tested commercial record. During the 1970s and early 1980s, "briefcase bankers" poured into the area. During this spree of lending, the offshore banking units in Bahrain were set up which helped produce the web of indebtedness involving major international banks. Today, they are licking their wounds.

In several parts of the Gulf banks are now declaring large-scale redundancies. Some bankers, especially in the Emirates and Bahrain, are facing recriminations behind prison bars. Local banks are developing customer services and turning to small personal loans rather than the multi-million dollar merchant banking operations which once looked so attractive. They are also looking to their international operations as a diversion from the painful experiences at home.

The banks argue that it was lack of government regulation in the Gulf which allowed the situation to get out of hand. In Kuwait, the absence of state supervision over the financial market helped generate the biggest disaster in the country's history—the Souk Al Manakh stock market collapse, which has caused hundreds of Kuwaitis to be referred to the bankruptcy court.

In the Emirates, the lack of regulatory muscle led to 50 banks competing in a population of less than 1.5m people. Banking licences were all too easily obtained with some owners treating their institutions as little more than a source of funds.

Economists in the region say that the governments have reacted too abruptly to the decline in oil revenues and that the sudden cutbacks in spending have allowed little time for the private sector to adjust. The governments, on the other hand, need to protect their foreign reserves and emphasise the role the private sector should play in taking up the slack in investment. But this appeal comes at a time when there is far less liquidity and local investment opportunities look unattractive.

The courts provide little relief to bankers' problems. In the Emirates, judgments are difficult to secure and enact and clients are frequently "missing." Despite avowals to the contrary, ruling families still hesitate to allow the banks to exert the full rigour of the law over their citizens.

In the past such proceedings also led to squabbles between creditors over preference in the liquidation process. Large-scale bankruptcies are now occurring, particularly in Dubai, and all of them in a legal vacuum. The country has yet to formulate e bankruptcy lew, despite three years of promises to do so.

In Saudi Arabia, the great imponderable is bank interest, for in the motherland of Islam, the concept is not recognised in commercial and legal proceedings. Most bankers try to avoid the courts, for in the past bank interest which had been paid by a client was subtracted from the amount outstanding when a bank sought repayment.

Bankers used to be able to "shame" a client into repaying his debts, but western influences have eroded that code of honour. The Ministry of Finance in Riyadh has not commented on these problems, yet with 300 bankruptcies since the end of 1983 and more to come, the question of bank interest is likely to loom larger. Meanwhile foreign bankers say they are looking at new loan requests with extreme caution.

In Kuwait, it is now impossible politically for the Government to pour more public money into solving the Manakh problem. Already some $7bn has been spent in propping up the stock market and rescuing small investors.

This political restraint has emerged at e time when the Kuwaiti banks urgently need gestures of support from the Government, particularly after the authorities' handling of the collapse of a major exchange house, Jawad Haidar Abulhassan.

The Kuwaiti banks are now deciding whether injecting further funds is worthwhile. Abulhassan was virtually the country's seventh bank and its fate could have an impact on the reputation of other Kuwaiti institutions. Foreign Banks which lent to the company can only join the queue of creditors.

Non-performing and doubtful loans are thought to total about 40 per cent of all bank credit in Kuwait, or around $5.2bn. Finance minister Khorafi told Parliament recently that the figure was even higher, about $6.6bn.

To be set against this are the banks' reserves, both hidden and published, which amount to $4.4bn-$4.8bn according to local estimates. Government officials believe that it will cost a further $6.6bn in public money to settle the Manakh problem once and for all.

The foreign banks have yet to be publicly touched by the crisis but this could change in e few weeks as the first court case begins in London against one of the largest debtors, himself a banker. The extent of foreign borrowings by Manakh investors cannot yet be calculated, but at least two are known to have secured $320m in syndicated loans.

There are also about 50 major investors who have not yet joined the queue to the bankruptcy court because their dealings are linked with those of members of the ruling Sabah family. If the foreign banks choose to bring their cases back to Kuwait, there could be e stampede by other local banks to lodge their claims first. Offshore bank managers in Bahrain are also looking carefuly at the plight of the closed companies, for most of these also face bankruptcy. Many were set up to take advantage of the Manakh boom and if they also fail alarm bells could ring all over Bahrain.

In such a situation, it is not surprising that banks in the Gulf declare, with e touch of pride, that they are not lending in the area. As the 1984 bank balance sheet figures begin to emerge, the full extent of the problem is becoming clearer. Some difficulties are being disguised through mergers. In the next few weeks, the UAE can expect to see repetitions of the moves which led to the formation of the Commercial Bank of Abu Dhabi whereby several banks with dubious loan portfolios joined together and received massive injections of government cash to bolster capital and provisions for bad debts. In the view of some expatriate bankers such moves, though welcome, do not solve the problems.

The managing director of the new Abu Dhabi bank, Sultan al Suweidi, has promised tough action against those individuals with outstanding loans. Local bankers smile and wish him well in the difficult task of collecting on his loans, which like many others in the Gulf, look increasingly uncollectable.

UK coal industry

What the Government needs to do now

By Robert Belgrave

NOW THAT the National Union of Mineworkers has lost its veto on the future management and structure of the National Coal Board, whet sort of industry would give a reasonable prospect of secure and low cost coal (and thus electricity) supplies, and would not involve the taxpayer in open-ended subsidies?

The unions may have lost their veto, but management still has to work with them, not least because the statute says they must. Both across-the-board and partial privatisation must therefore be ruled out, even if a commercial organisation could be found to buy the open-cast operation that would take the risk of obstruction from local planning authorities; or at the other extreme of profitability, even if the Kent miners could find a fairy godmother to put up the necessary working capital for them to take over their pits as a gift.

No government, whatever its economic philosophy, can abdicate responsibility for the framework within which a state industry will operate, though the less it interferes in the day-to-day management the better. Government needs to:

● Lift the prohibition on the CEGB importing foreign coal, but still expect it to buy at least two thirds of its coal requirement (pre-strike 75mt a year) from the NCB. Encourage the CEGB or private concerns to build power stations at major ports, designed to run on imported coal; likely to be available at present prices from a wide variety of sources, most of whose costs are not affected by the fluctuations of the dollar.

● Provide capital for new investment and confirm the pledges that there will be no compulsory redundancies.

● Provide funds to cushion the transition and for alternative employment in areas of mine closures. This will involve taxpayers in provision for one part of the community at the expense of the rest on an unprecedented scale; they have a right to insist that the commitment is not open-ended.

● Permit the NCB to operate under normal commercial criteria, and not distort these by arbitrary Treasury accounting rules. This will involve a capital restructuring.

● Then let Ian MacGregor and his eventual successor (who should be a businessman, not a politician or official) get on with the job.

Outsiders cannot know the limits to the degree of manoeuvre that is open to the NCB but the following action seems feasible:

● Revitalise the management, many of whom, having worked in a declining industry for 20 years, have neither the flexibility to entertain new ideas nor the will to eccept accountability for decentralised management. This means early retirements, generous compensation, and replacement from the young or from outside. At the other end of the workforce, ensure the highest rewards for deputies and face-workers, without dragging up the general level of wages.

● Undertake a blitz on overheads and sell off redundant property.

● Put in hand (with the aid of outside consultants) a pit-by-pit review, in order to determine which now make a positive contribution to overheads.

In such e review, all past investment should be ignored. These sunk costs may never be recovered. They are irrelevant to the decision whether to continue production or not (hence the need to revise the Treasury financial objectives). It should be assumed that coal will fetch the same net-back price at the pit-head as it did in 1983, ie, a constant real price and that any increase in real receipts will be offset by increases in real costs. (Nobody knows whether a price set by competition at the margin with the international market will be higher or lower than in 1983; no assumption that it will be higher is sufficiently robust for planning purposes.)

New investment (including repairs necessitated by the strike) should be undertaken only where it will increase the contribution to overheads sufficiently to provide a commercial return on that new investment (say 10 per cent in money-of-the-day or 5 per cent real).

● Close all other pits. The costs of redundancy, relocation and alternative employment should be ignored for decision purposes. Even if in the short term they exceed savings from closure, in the long term their retention will again shackle the NCB with an inheritance of uneconomic and unmanageable assets;

● Continue investment in Selby and Belvoir but delay new mines until experience has shown that costs can be contained in these two and that there is a probable market for additional production;

● Do not assume for planning purposes that the UK market for coal in 2000 will exceed 100mt (the 1983 level), or that the NCB's market share, will be more than 85mt. (It would drop to the 50mt implied in the proposed CEGB guarantee, unless costs are kept below the delivered price of imports to inland sites.)

● Assume no exports, other than to dispose of unplanned surpluses that cannot better be put to stock. Extra production for export must be by definition at the marginal (highest) cost of the industry. This, combined with the cost of transport to seaboard and shipment and unshipment (ie the converse of the logistic situation that will continue to protect most UK coal from foreign competition), makes it unrealistic to suppose that UK coal can compete on the Continent with imports from Australia, South Africa, Colombia, Poland or even the U.S. Given the slower-than-expected growth of the international coal trade, and the spare capacity at current cost that exists in most exporting countries, there is no reason to assume that delivered prices in North-West Europe will rise above present levels.

● Concentrate both market and technical research on the consumer; notably on improved combustion and delivery systems.

The top managers of the NCB are determined to take this opportunity to put its house in order, but to overcome their formidable technical, financial and labour management problems, they will need the solid support of the Government and of public opinion.

The author is head of Joint Energy Programme, a joint programme between the Royal Institute of International Affairs and the Policy Studies Institute. This article is based on analytical work to be republished this summer by Gower for the programme under the title "Coal's Contribution to UK Self-sufficiency."

Letters to the Editor

Velocity of money

From the Director General Designate, British Institute of Management

Sir,—The report by American Express (May 17) on the spending of UK companies on travel, accommodation and entertainment which heavily criticises the practice of UK managers, appears to have been accepted as accurate with no critical examination of the numbers stated. They must, presumably, have been based on some form of sample because not even American Express can have aproached every UK company, and if it had far too many managers would have been travelling (at company expense) for there to have been anything like a complete response.

If the figures are examined carefully, they seem incredible. For the sake of round numbers (and American Express clearly favours these) let us assume that the UK labour force has 20m working members (the survey excluded the civil service), and that 1m of these are managers who travel and make use of expense accounts. The survey states that £17.4bn is spent annually. That is equivalent to £17,400 per year for each of the 1m managers. Further its states that at any one moment £1bn is in employees' hands as cash advances. That is equivalent to £50 permanently in the hands of each employee, or £1,000 per manager. The construction sector is stated to be the worst offender. Again, round numbers give 1m employees in this sector and, let us say, at the very most 100,000 of these are managers. The £4bn stated as spent by this sector is equivalent to £4,000 per employee or an unbelievable £40,000 per manager.

Criticising British managers has become a national pastime. It is often unfair and unfounded. If our managers are to be accused of profligate spending and an inability to control costs, it is to be hoped that the criticism will be based on facts.

C. J. Constable.
Management House,
Parker Street, WC2.

Historically high interest

From Mr A. Mitchell.

Sir,—I note that your editorial of April 18, just received, but perhaps still current, supports the Confederation of British Industry in its complaint about allegedly high interest rates. Might one ask for whom the rates are high? I receive an average of 11 per cent gross on Government securities, and less on a bank deposit. After deducting tax and allowing for inflation I am left with 1.6 per cent net real interest. Is this historically high? I doubt it. Presumably the CBI, unable for the last year or so to grizzle about the $/£ exchange rate, now wishes to return to the debtors' field days of the 1970s when one received negative real interest, gross as well as net, for the privilege of lending money.

Alternatively, if the real cost of borrowing is historically high, dare one ask whether the commercial banks' spread between interest paid on deposits and that charged on loans is partly responsible? Presumably when banks paid 2 per cent on deposits, a 4 or 5 per cent spread was hardly acceptable?

A. H. G. Mitchell,
UNDP/UNDTCD,
Bureau of Mines and
Geo-Sciences,
PO Box 7285 ADC, Mia Riad,
Pasay City, Metro Manila,
Philippines.

Buying the index

From Mr N. Carn.

Sir,—Your editorial of May 16 raised the question of index funds. For an institutional investor there are clearly attractions in this sort of investment since, as you say, the vast majority of fund managers underperform the broadly based indices. There are, however, some aspects that seem to escape discussion. The most obvious is that the universe of participants in the market cannot, by definition, outperform the broadest index and as an increasing amount of money is managed by professional managers this will be true of them as a group. Give all the money to the top performing manager and he will underperform the market to the extent of his transaction costs.

To buy the index implies that it is regarded as some sort of model portfolio whereas, in fact, it is the most arbitrary portfolio of all, and not a proxy for the economy as a whole. In the UK, for example, the service sector, the fastest growing part of the economy, is under-represented in the index.

More disturbing, however, are the implications of the trend towards index funds for the pricing of capital. The managers of pension funds and large institutional accounts may be rightly criticised for on occasions seeking short-term performance but (as a group) have a bias towards soundly managed growth companies. The more money committed to index funds the more the pricing consensus, which is the strength of the stock market, is undermined. In the admittedly absurd example of all institutional money being committed to index funds, the price at which capital could be raised by companies would be entirely in the hands of a few marginal operators.

Far from decreasing the volatility of individual stocks, index funds tend to increase it and institutionalise the principle that a rise in the stock price increases demand for the stock, and correspondingly a fall in the price decreases demand. This effect is conspicuous with large funds who are seeking a current weighting for their cash flow.

Where index funds choose a comparatively narrow index, say the FT-SE 100, enormous volatility is created at the margin, a small price change can cause a stock to move in or out of the index, triggering automatic buy or sell orders from the index funds.

Indexation is superficially attractive, but it is a process of piggy-backing on the decisions taken by the rest of the investment community and involves an abrogation of responsibility for the pricing mechanism. How odd to trust the managers with the valuation of your funds but not with the money!

Nicholas Carn,
Cigna International,
Investment Advisors,
18 Finsbury Circus, EC2.

Exploitation of cheap labour

From the Editor, Haldane Society Employment Law Bulletin

Sir, — Samuel Brittan's plea for the abolition of wages councils (May 13) at least recognises that by reducing yet further the wages of the lowest paid to alleged "market clearing" rates, the social security system will have to intervene to top up incomes.

In other words, the taxpayer will have to pay increased subsidies to compensate for the enhanced exploitation of cheap labour by unscrupulous employers. There are, of course, precedents for this; the Speenhamland system of the late 18th century, through the rate in aid of wages, allowed farmers to pay sub-poverty-level wages in the knowledge that the rest of the community would be taxed to raise family incomes to poverty levels. The poor were then blamed for having no incentive to work, and so the New Poor Law of 1834 was introduced to get rid of the social security top-up.

In order to clear the way for abolition of wages councils, the Government intends to denounce ILO convention No 26. This convention obliges signatory states to maintain minimum wages in industries having "exceptionally low" wages. We have thus reached a stage, after six years of economic policies of the Government, at which wages accepted by the Government as "exceptionally low" (or else there would be no need to denounce the convention) are considered too high for the nation's economy to bear.

Even if a few thousand new, sub-poverty level jobs were created by abolition (on which I remain sceptical), it will be at an unacceptable cost in terms of social and economic justice. Supply-side measures such as these are the economics, if not of the madhouse, then certainly, of the workhouse.

Jeremy Smith.
177 Holland Road, NW10.

Dividend policy

From the Managing Director, EBS (Management)

Sir,—Clive Wolman (May 14) argues that pension funds "distort" a company's dividend policy because they pay no tax and hence are likely, as shareholders, to throw their weight behind e policy of maximum distribution.

We have been living through a period of distortion caused by high personal taxation. In the 1970s (before the Government took office and private shareholders were often paying marginal rates of 98 per cent on dividend income) there were strong pressures for companies to plough back virtually all their profits in tax deductible capital expenditure in the hope that the resulting increase in net asset value would lead to capital gains in the share price, taxable only et 30 per cent. That was surely the distortion because it could easily lead to wasteful retention of capital by sleepy giants as opposed to profits flowing out as dividends to be re-invested in new and potentially more profitable ventures.

To argue that the removal of taxation is a distortion is like arguing that the sickly state of a hospital patient is the natural and normal condition and recovery makes him abnormal. In the ideal world public expenditure and taxation should be kept down to a level at which it does not distort business decisions. To argue that tax exemptions, such as those accorded to pension fund investments, are gifts from Government (as do some commentators) implies acceptance of a belief that the state gives its citizens everything it does not take from them—a totalitarian and not a democratic axiom.

Dryden Gilling-Smith.
38, Finsbury Square, EC2.

FINANCIAL TIMES

Wednesday May 22 1985

Kleinwort man to head new Barclays subsidiary

By Barry Riley in London

BARCLAYS Bank of the UK has recruited Mr Martin Jacomb, a vice-chairman of Kleinwort Benson, to become executive chairman of Barclays de Zoete Wedd, the integrated securities busines which is being created through the merger of Barclays Merchant Bank, stockbrokers de Zoete & Bevan and stockjobbers Wedd Durlacher.

He has resigned from Kleinwort Benson, and will join Barclays on July 1. He will also become one of three deputy chairmen of the parent group.

Mr Jacomb is a key figure in British financial circles because of his influential role on a number of self-regulatory agencies and committees. He was strongly tipped to become chairman of the new Securities and Investments Board, but would accept only the deputy chairmanship.

He will now combine this role with that of the chairmanship of one of the two biggest of the new British-owned integrated securities market groupings.

Lord Camoys will continue as chief executive of BZW. He said yesterday: "It is very difficult to look after strategic issues as well as to be responsible for day to day line management. It's asking too much from one person."

He said that he originally selected Mr Jacomb last October as his first choice. But the offer was not made until "a few weeks ago."

Mr Jacomb said that all the press coverage of the chairmanship of the Securities and Investments Board had left the way open for the approach. He continued: "It's a very exciting challenge. Of course, I'm sad to leave a firm I've been with for 17 years, where I've got innumerable close friends."

The full management structure of BZW has yet to be decided. Other key figures will include Mr James Titcomb, senior partner of de Zoete, and Mr John Robertson, senior partner of Wedd Durlacher. Mr Robertson is thought likely to take on the responsibility of compliance officer for the new group, ensuring that it adapts smoothly to new regulatory requirements.

Mr Titcomb yesterday emphasised Mr Jacomb's future role in the relationship with the parent, Barclays Bank. "There will be a need to understand the needs of the bank, to make sure the bank understands our own needs, and to act as a filter."

Mr Jacomb, 55, said it would be a full-time job, but he refused to disclose his new salary.

At Kleinwort Benson the Earl of Limerick, currently also a vice-chairman, becomes deputy chairman. Three new vice-chairmen have been appointed. They are Mr Robin Fox, Mr David Peake and Lord Rockley.

Aerospace groups link to develop prop-fan engines

BY MICHAEL DONNE IN LONDON AND DAVID MARSH IN PARIS

TWO leading U.S. aerospace companies are linking with European companies to pursue the development of the revolutionary new prop-fan engines for future generations of airliners.

McDonnell Douglas, one of the world's biggest builders of jet airliners, has signed an agreement with Aeritalia, a subsidiary of Italy's Gruppo IRI Finnmeccanica, to work on prop-fan technology.

General Electric, one of the world's biggest aero-engine manufacturers, in a separate arrangement, is to undertake similar studies with Snecma, the French state aero-engine manufacturer.

GE and Snecma already collaborate extensively through their joint CFM international company on the development of the CFM-56 series of turbo-jet engines for current airliners.

Prop-fan is the name being given to a radical new development in turbo-propeller technology, which involves harnessing propellers to gas-turbine engines.

The difference lies in the type of propellers used. Instead of conventional three or four-bladed propellers, in prop-fans the propeller is 12-bladed, and shaped more like a ship's screw.

The result is claimed to be a big reduction in fuel consumption – some claims put it as high as 50 per cent – together with cuts in noise and vibration, while offering speeds close to those of conventional jet airliners.

All those claims have yet to be proved.

All the leading airliner manufacturers have been studying prop-fan technology, with Boeing and McDonnell Douglas more interested at present than Airbus, which is concentrating on conventional jet engines for its new A-320 for service in 1988-89.

Boeing and McDonnell Douglas are more enthusiastic and are planning flight test programmes on prop-fans to test the validity of the concept.

Boeing's plan is to use a GE prop-fan, and it will probably be that engine on which tha U.S. engine company will work with Snecma.

So far, Rolls-Royce is conducting its own research into prop-fan technology, without foreign participation.

But it has close relationships with other European engine companies – including, for example, MTU of West Germany, with whom it works on the RB-199 jet engine for the Tornado fighter – and the possibility of it linking with another company cannot be overlooked.

McDonnell Douglas said yesterday that its pact with Aeritalia extends nearly 20 years of co-operation with the Italian group on aerospace ventures. Aeritalia has already committed a group of specialised technicians to the venture, working with McDonnell Douglas in the U.S.

McDonnell Douglas last month appointed Mr Walter J. Orlowski as its programme manager on prop-fans. He will lead a multi-million dollar "readiness analysis and testing programme," leading to the design and development of a prop-fan demonstrator aircraft. ..

The GE-Snecma accord could be formally announced at the Paris Air Show which starts at the end of the month. It would confirm strong links beween the two companies which have already been forged with joint development of the CFM-56 engine for civil and military aircraft.

SEC drops plans for controls on hostile takeover tactics

BY PAUL TAYLOR IN NEW YORK

THE U.S. Securities and Exchange Commission (SEC) has abandoned a plan to seek wide-ranging new federal legislative curbs over corporate takeover tactics.

The commission voted unanimously not to resubmit to Congress a package of proposals made last year which would have placed restrictions on a number of corporate defensive strategies including "greenmail" payments, management "golden parachutes," "poison pill" defences and stock repurchase

The SEC voted to resubmit only one of its original proposals – a new rule which would require investors who acquire a 5 per cent stake in a company to declare their holdings immediately and stop buying additional shares until two days after they file a 13-D disclosure statement with the SEC.

Under current rules, an investor has 10 days to disclose the acquisition of a 5 per cent stake – a period which is often used to acquire additional shares.

The SEC said it had decided against seeking more sweeping restrictions because of concerns about the inflexibility of the proposed legislation and a growing mood that state courts and the market place provide adequate safeguards against tender – offer abuses.

The decision was taken after the four sitting SEC commissioners heard two hours of additional evidence

SEC faces foreign menace, Page 19

Caparo may sue over Fidelity

BY CHARLES BATCHELOR IN LONDON

CAPARO Industries, the British engineering group headed by Mr Swraj Paul, may take legal action following its takeover of Fidelity, the UK television and cordless telephone company, last October, in respect of alleged overstatement of profits and stock values.

Caparo, which paid £14.1m ($17.9m) cash for Fidelity, one of the last remaining UK manufacturers of consumer electronic products, has written off £7.9m after reviewing of Fidelity's finances.

"We believe that the Fidelity profits for the year ended March 1984 were overstated by at least £1.7m," Mr Paul said in his annual report. "This would have changed the published results for that period from n profit of £1.3m to n loss of £400,000.

"A very different valuation would have been put on the business by an acquiring company if these facts had been known. We are currently taking professional advice on the legal remedies open to us and it is anticipated that legal proceedings may be commenced in the near future."

Caparo is to make a £10.25m rights issue of new 8 per cent convertible cumulative redeemable £1 preference shares at par to strengthen its balance sheet, partly needed as a result of the Fidelity write-off.

Despite the problems at Fidelity, Caparo increased its pre-tax profits by 43 per cent from £1.93m to £2.76m in the year ended December 1984 on turnover which rose 32 per cent from £82m to £108m. It proposes increasing its total dividend from 1.5p to 1.65p per share.

Caparo has made major management changes at Fidelity and has appointed new technical, production and finance directors. The alleged discrepancies at Fidelity have delayed Caparo's plans for expanding its electronic business by a 12 to 18 months but Caparo remains committed to its plan to move into areas of higher technology, Mr Paul said.

Caparo has been strengthening Fidelity's research and design efforts. It claims to be the only UK maker of cordless telephones – all other companies import theirs and put on their own labels – and is launching a new office telephone with a cordless handset.

Caparo's shares fell 1p yesterday to 30p.

Caparo plans £10m rights issue, Page 24

Nissan confirms orders to UK parts suppliers

By John Griffiths in London

LUCAS Industries and Triplex, the Pilkington group's automotive glass subsidiary, are among more than a dozen UK motor industry suppliers whose components are expected to be fitted as original equipment to Nissan cars being assembled in the UK from August 1986.

Nissan Motor Manufacturing, the Japanese company's UK subsidiary set up to assemble initially 24,000 cars a year on a 800-acre greenfield site at Washington in the north east of England has been carrying out final evaluation of sample orders placed during last year.

Mr Ian Gibson, Nissan's purchasing director, rejected reports that Nissan had been "appalled" at the standard of UK components supplied during the feasibility assessment of the UK plant, and said be could see no reason why Nissan should seek a large influx of Japanese components suppliers to the UK, as has been suggested in the industry.

Lucas rejected "the cynical view that the Japanese would set higher quality standards than they knew tha UK industry could fulfil, so that they could justify bringing in their own producers."

However, Lucas acknowledged that Nissan had set higher quality standards than those to which the European industry was accustomed.

"They are using higher quality components throughout their cars than we are used to. It is a challenge to suppliers like us to meet those standards. But any suggestion that they are beyond our capabilities we strongly reject."

Triplex said yesterday, it had been confirmed that it would be the sole supply source for the cars' glass, while Lucas is to supply alternators. Lucas is also understood to be a potential supplier of other electrical equipment for the car, the successor to the Stanza.

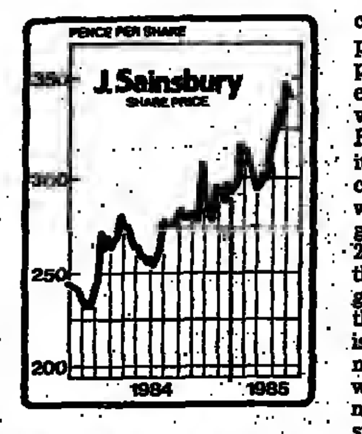
Mr Gibson said other supply contracts for the start-up of production included instrument panel mouldings, bumpers, exhausts, seating, starter motors, audio equipment, seatbelts and body and trim mouldings.

He said companies expected to gain business included National Plastic (dashboards), Britax (mirrors), Kay Metzeler, BTR and Schlegel for a variety of body components.

Although some contracts have yet to be finalised – further durability and other testing is involved – Mr Gibson said "we did not undertake the sample orders lightly; there are heavy tooling costs involved."

THE LEX COLUMN

Profits cost more at Sainsbury's



True to its advertising, J. Sainsbury has turned in some high quality earnings for 1984-85; pre-tax profits are up by over 20 per cent to £156.4m. Its shares, unfortunately, are not as cheap – or quite as fresh – as its groceries. Down 2p to 342p yesterday, they are trading on a prospective multiple of 20. The question, however, is not whether Sainsbury is better than its competitors – it undoubtedly is – but whether it is better enough.

The assumption that Sainsbury must eventually trip over its shoelaces has so far been a frequent, but expensive mistake. Even over the last six months Sainsbury shares have outperformed Asda and Tesco. For years it has been tempting to say that Sainsbury cannot squeeze any more savings out of costs, yet margins have grown from under 3 per cent in 1976 to over 5 per cent now. Profits growth is undoubtedly slowing, though, along with inflation and the economy. Last year's 20 per cent rise compares with 30 per cent the year before and probably 15 per cent in 1985-86. But it would be churlish to complain while the risk factor is so low and while the company is opening around 15 new Sainsbury stores and nine new Homebases a year.

Meanwhile, the new larger stores are more cost effective and new technology will make the stock turn faster. Even the older stores saw a volume gain of about 2½ per cent last year and once they are refurbished, there should be room for even more. With a contribution from Homebase this year, but a swing from interest receivable to payable, Sainsbury looks set to make over £180m. The share price leaves no room for mistakes, but then mistakes are not Sainsbury's stock in trade.

Ansbacher

Only a new management with a long pocket behind it could possibly afford to sweep so clean a swathe as the recently arrived management has done at Ansbacher. According to the new dispensation, Ansbacher has lately been operating with negative net worth – excluding goodwill – of about £5m and should probably not have paid the interim dividend in December. The indictment in Ansbacher's rescue rights prospectus alleges over-ambitious acquisitive expansion, compounded by lack of cost controls and reporting systems in the businesses Ansbacher had bought.

Making all allowance for the newcomer's tendency to throw in the kitchen sink, it is pretty good work for a bank the size of Ansbacher to have got through all its equity in a year, without even the excuse of a large Latin American loan portfolio. Indeed, the remarkable thing is that money was lost even in an apparently successful fee-earning business, Ansbacher'a mergers and acquisitions office in New York.

Clearly, only part of the damage can be repaired by reducing the number and scale of Ansbacher's activities. Even the good parts which sustained their profitability throughout may not figure to best advantage in their present context. The provision of new equity is necessary, though not on its own sufficient, to restore Ansbacher's position in its markets. It is an act of faith in the new management (and of pride) for Pargesa and GBL to stump up.

RHM

Yesterday morning's thunderstorm in London was a timely reminder to the directors of RHM, as they sat fixing the interim dividend, of how far the group depends on decent weather during this year's harvest. A good supply of high-quality milling flour kept prices down in the six months to March, and permitted the 2p bread price increase almost to cover higher wage costs; but RHM will only meet its goal of selling bread for more than it costs next year if the prospects of another excellent wheat harvest materialise.

RHM duly produced its 50 per cent increase in interim profits, and confirmed its place as the best-improved pupil in the sector. Having put its balance sheet in order, it could now flood the Home Counties with Mexican fast food; wisely, RHM has elected first to try to turn its baking division into more than a captive manufacturing operation which protects good milling margins. Spreading the same load over 29 instead of 60 bakeries should further close what was once a yawning gap with AB Foods; for nothing less than full capacity at the modernised bakeries will do if RHM is to make loaves for the 30p or so at which they are discounted in supermarkets. Even so, AB Foods will still call the pricing shots and regional results will always be patchy.

RHM once yielded twice the market average; and it is a measure of its recovery that it now runs with the pack. But on profits for the year of £65m, RHM stands at a small premium multiple to AB Foods. This would not be justified if AB Foods also charged its closure costs below the line or enjoyed the speculative support of a Berisford shareholding.

Abbey Life

The disappearance of Hambro Life into the financial services division of BAT made a flotation of Abbey Life all the more likely to go down well with institutions; what better than to plug the portfolio-gap with another of Mr Weinberg's linked-life creations. As it happens, the decision by ITT to pull some cash out of its Abbey subsidiary is not only a natural response to the high price fetched by Hambro Life, but is timed to exploit the best of an exceptionally good run for the life industry.

Following a third artificial boost from the fiscal system in as many years – the switch to Miras mortgages, the abolition of premium relief and now the proposal to abolish the state earnings-related pension scheme – the life companies must be set for a corresponding bulge in their actuarial surplus. Abbey Life's debut in early June should thus catch the peak of sectoral fashion. Whether it can fetch the historic multiple of nearly 20 implied by talk of selling just under half the company for something over £200m will depend as much on the amount of cash available – shortly before the BT call – as on Abbey's intrinsic merit.

Washington doubts about early summit

Continued from Page 1

solidify his control in Moscow before meeting Mr Reagan.

Other Administration officials have said that Mr Gorbachev will want to tackle pressing domestic issues before foreign affairs.

At the same time, the overall climate of superpower relations has chilled noticeably in recent weeks, not least as a result of the shooting of a U.S. Army major by a Soviet sentry in East Germany at the end of March.

The Geneva arms talks have got off to a bad start, with Moscow accusing Washington of reneging on a commitment to negotiate on Mr Reagan's star wars space defence initiative, and the VE day celebrations earlier this month were marked by hostile exchanges.

Mr Larry Speakes, the White House spokesman, yesterday said that both sides still wanted a summit, subject to agreement on time and place.

Swedish banks cut rates again

Continued from Page 1

Mr Dennis repeated yesterday that the banks' initial increases were "a brutal action, an unexpected overreaction."

The banks retreated once last week but felt forced to make another ½-point cut in lending rates yesterday, fearing that the central bank might otherwise reimpose interest-rate regulation, a move already heralded by the Finance Ministry (private overdrafts now carry an interest rate of around 17 per cent).

Mr Dennis denied yesterday that the central bank had used any element of blackmail against the commercial banks. He said interest-rate regulation had been abolished because "we did not like it. It was a bad system, old-fashioned and inefficient. I have never considered reimposing it."

There is clearly tension between the central bank and elements in the Government, particularly the Prime Minister. Mr Olof Palme has continued until yesterday to critise tha banks, while Mr Dennis said the central bank had no intention of using verbal commentaries as a sort of surrogate regulation.

"That would be reintroducing regulation through the back door," he said.

Mr Curt Olsson, chairman of Skandinaviska Enskilda Banken, Sweden's biggest commercial bank, admitted yesterday that the banks "might have overlooked the political reaction" with their initial increases. Fear of a return to regulation had prompted the cuts, which would be "very detrimental for the banks' profitability."

● In a new set of economic forecasts S-E Banken said yesterday it expected growth in the Swedish economy to slow to only 0.9 per cent this year – the Government's last forecast a month ago was an increase of 2.5 per cent – with a fall in gross national product of 1 per cent in 1986.

It paints a picture of falling Swedish shares of foreign markets as a failure to control inflation and labour costs erodes manufacturing industry's competitiveness.

It forecasts a substantial deterioration in the current account of the balance of payments, as exports stagnate and imports continue to increase significantly. Inflation is expected to remain at least double the official government target of 3 per cent.

Baker warns of lagging U.S. growth

Continued from Page 1

tional product was attributable to inventory investment, n worrying sign to economists who fear further cuts in output as companies try to reduce their stocks.

In the wake of the cut in the Fed's discount rate on Friday, a move whose timing caught Wall Street by surprise, there is considerable uncertainty about how the Fed will respond to the darkening economic outlook. Some economists are arguing that the discount-rate reduction from 8 per cent to 7½ per cent should be seen as the first step in a progressive easing of monetary policy as the Fed seeks to revive a U.S. economy which grew by 6.8 per cent last year. Others suggest that the Fed will now wait and see what effect an easier monetary policy will have.

Some private economists, such as Mr Anthony Boeckh, editor of the Bank Credit Analyst, maintain that the Fed is caught in a dilemma because although an easier monetary policy can stimulate demand, it need not necessarily stimulate domestic output. With the dollar still strong on the foreign exchanges, monetary stimulation might simply spur increased imports and a higher trade and current account deficit.

Max Wilkinson adds from London: News of the more pessimistic estimate of U.S. growth could not prevent the dollar from rising in Europe, where it recovered most of the ground lost late on Friday and on Monday after the ½-percentage-point cut in the U.S. discount rate.

The dollar reached a peak of DM 3.093 in London, after having fallen almost to DM 3 early on Monday. Later in the day, it eased somewhat, closing in London at DM 3.067.

Sterling, meanwhile, remained relatively firm, rising slightly against continental European currencies, although the rise of the dollar trimmed it to $1.272 against Tuesday's New York close of $1.2735.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	19	66	Dubrovnik	C	27	81	Malaga	S	25	77	Salzburg	C	15	59
Akrotiri	S	26	79	Faro	S	18	64	Malta	S	26	79	Seoul	C	18	64
Algiers	-	—	—	Florence	-	—	—	Manila	S	35	95	Singapore	F	29	84
Amsterdam	S	20	68	Frankfurt	C	16	61	Miami	C	30	86	Stockholm	S	13	56
Athens	S	20	68	Funchal	-	—	—	Milan	F	21	70	Strasbourg	F	20	68
Bahrain	F	37	99	Geneva	R	13	55	Moscow	R	19	66	Sydney	C	15	59
Bangkok	R	32	90	Gibraltar	S	20	68	Munich	R	13	55	Taipei	S	25	77
Barcelona	S	18	64	Guernsey	S	10	50	Nairobi	-	—	—	Tangier	-	—	—
Beirut	-	—	—	Helsinki	F	7	45	Naples	S	29	84	Tehran	-	—	—
Belgrade	S	27	81	H. Kong	C	29	84	New Delhi	S	44	111	Tel Aviv	S	25	77
Berlin	S	22	72	Innsbruck	F	20	68	New York	S	29	84	Tenerife	S	22	72
Biarritz	F	16	61	Inverness	-	—	—	Nice	S	18	64	Tokyo	C	20	68
Blackpool	F	14	57	Istanbul	S	22	72	Oporto	S	16	61	Toronto	C	17	63
Bordeaux	F	16	61	Jersey	F	13	55	Oslo	S	22	72	Tunis	C	20	68
Brussels	F	19	66	Jo'burg	F	20	68	Paris	F	16	61	Valencia	S	22	72
Budapest	C	23	73	Las Palmas	S	22	72	Prague	R	14	57	Venice	S	20	68
B. Aires	R	14	57	Lima	C	20	68	Reykjavik	S	13	55	Vienna	F	21	70
Cairo	C	36	97	Lisbon	F	18	64	Rio de J'o	C	32	90	Warsaw	S	20	68
Cape Town	C	16	61	Locarno	S	21	70	Rome	R	20	68	Zurich	C	17	63
Caracas	C	28	82	London	C	16	61								
Casablanca	-	—	—	Los Angeles	F	22	72								
Copenhagen	S	19	66	Luxembourg	F	17	63								
Corfu	S	31	88	Madrid	S	20	68								
Dublin	C	18	58	Majorca	S	21	70								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Defeat for Pickens

Continued from Page 1

ed to fall as a reflection of the additional debt the company has incurred in defeating the takeover.

The indicated price of Unocal stock had fallen to $34 a share on Monday during the negotiations, around the price most analysts consider it to be worth after the deal, giving the Pickens group a potential deficit on this part of the agreement of $240m.

In addition, Mr Pickens has accepted a standstill agreement that will prevent him from buying Unocal stock for 25 years, while controlling the sale of his stock over a period of years. Analysts believe that the sale arrangements will put a stranglehold on Mr Pickens's future takeover activity by tying up a large part of his financing in Unocal for a considerable period.

In an additional element of the deal, Unocal said that it would use its best efforts to distribute part of its planned limited partnerships to shareholders. The company is aiming to hand over $150m annually in partnerships, which would include about 45 per cent of Unocal's oil and gas reserves.

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SECTION II – COMPANIES & CAPITAL MARKETS

FINANCIAL TIMES

Wednesday May 22 1985

Setback for Penney as U.S. retailers' profits surge ahead

BY OUR FINANCIAL STAFF

BROADLY favourable first-quarter results were reported yesterday by a clutch of leading U.S. retailing groups, with increases in sales and earnings running well ahead of expectations in most cases.

The exception was J. C. Penney, the country's third largest general retailer, which suffered a 27.5 per cent drop in net earnings to $50m, or 67 cents a share, from $69m, or 92 cents, on sales that were virtually flat, rising only to $2.8bn from the $2.75bn a year earlier.

Mr William Howell, Penney's chairman, said the group's gross margin had declined as a percentage of sales. Markdown and promotional activities had been at a high level in order to run down inventories, though these were now in line with current sales estimates.

Associated Dry Goods, which runs 12 chains of department stores including Lord & Taylor and Goldwaters, showed by contrast a rise of 85 per cent in first-quarter net income, to $9.3m from $5m, or 47 cents against 26 cents a share. Sales of the group, which has been working to increase emphasis on higher-margin fashion merchandise, rose to $935.9m from $819m.

Allied Stores, whose 585 department and specialised stores include such well-known names as Bonwit Teller, Brooks Brothers and Garfinckels, saw sales increase 4.6 per cent to $880.3m from $841m. Net earnings rose 17 per cent to $17.2m for the quarter against $14.7m a year earlier, equal to 82 cents a share against 70 cents.

Dayton Hudson, with department stores in 47 out of the 50 states, reported an 18 per cent increase in net earnings to $33.5m, or 34 cents a share, from $28.4m, or 29 cents a year earlier. Sales rose to $1.82bn from $1.62bn.

May Department Stores saw a comparable 22 per cent increase in first-quarter net profit to $33.5m from $27.5m, or 78 cents a share against 63 cents. Sales rose 13.6 per cent to $1.09bn from $959m.

Leucadia steps up assault on Intergroup

By Our Financial Staff

LEUCADIA NATIONAL, the New York-based financial services concern which made an unsuccessful bid last year for Avco, is stepping up its battle to influence management of National Intergroup, the Pittsburgh-based steelmaker.

Leucadia said it would nominate four members of its own board for election to the steel company's board at the Intergroup annual meeting on June 5. If successful the nominees will seek to have National Intergroup's board adopt a four-part recapitalisation programme to "maximise shareholder value."

On Monday National Intergroup said its board rejected the recapitalisation plan, which at that stage included a request for the election of two Leucadia officers to National's board. The recapitalisation plan includes direct ownership by National Intergroup shareholders of shares in First Nationwide Financial, a savings and loan company owned by National Intergroup; receipt by shareholders of $4 in cash and $4 in newly issued notes; direct participation by shareholders in promissory notes issued by Weirton Steel.

U.S. MOVES TO REGULATE INTERNATIONAL SECURITIES TRADE

SEC faces the foreign menace

BY BARRY RILEY IN LONDON

THE U.S. Securities and Exchange Commission is concerned that the increasing internationalisation of the securities market may undermine its ability to regulate trading. It complains that information on international dealing is inadequate, and that as yet there is nn central forum to promote co-ordination as global markets continue to develop.

Accordingly the SEC has published a discussion paper on the subject, with a request for comments from interested parties.

The commission's stated objective is to consider ways of attaining "the fairest and most efficient global markets possible."

The background is that there bas been a rapid growth in cross-border financing and securities ownership both within and outside the U.S. This has been true for some years in the bond markets but has recently also become significant in equities.

Thus U.S. issuers raised $6.8bn on the Eurobond market in the first half of 1984, while foreign issues on the U.S. domestic bond market have been running at several billion dollars annually.

As for equities, U.S. institutions are now estimated to hold more than $10bn worth of foreign stocks compared with $½bn in the 1970s.

Meanwhile the number of foreign stocks traded in the form of ADRs (American Depositary Receipts) on U.S. markets is now approaching 400. And on the other side of the coin, some 200 U.S. companies listed on the New York Stock Exchange are also listed on the London Stock Exchange and in Paris.

Last year both Reuters and British Telecom were floated by way of multi-centre offerings, including London and New York, and the SEC has already issued a parallel discussion document on the potential for harmonising securities issue procedures in different countries.

In the new document, however, it is focusing on the international secondary markets on which securities are traded. In its ultimate form these comprise telephone markets in which broker-dealers can trade continuously on a 24-hour basis by passing their trading positions on to traders located in branch offices in later time zones.

But the SEC document observes: "In many respects the dimensions of this increased international trading remain unclear.

As a result, industry participants, securities markets and regulatory bodies find it difficult to prepare for future developments in this area."

The SEC refers to a number of specific problem areas.

● For U.S. securities, the development of international trading might mean that an increasing number of transactions were not captured by the consolidated reporting system which requires U.S. firms to report the price and size of bargains.

● Even for stock exchanges, reporting requirements vary. For example, there are no volume reports for individual stocks on the London Stock Exchange. There is little information in respect of business done on the unofficial international over-the-counter market.

● Market information presently available in the international markets for debt may not be sufficient to ensure efficient pricing.

● Simultaneous trading in different markets may lead to pricing disparities, especially if the same securities are traded in different currencies.

● Links between U.S. and foreign clearing agencies may create problems because the U.S. unit might be exposed to regulatory requirements and financial risks quite different from those encountered in normal domestic operations.

● There are barriers to the participation of foreign firms in many national securities markets, including those of Canada, Switzerland, the UK and Japan.

● Anti-manipulation rules which the SEC imposes on U.S. firms distributing securities may be undermined by the activities of those firms' foreign subsidiaries, or by non-U.S. distribution participants.

● Trading halts imposed by the SEC or by an individual U.S. stock exchange might be rendered ineffective if transactions were allowed to proceed unhindered overseas.

● Enforcement of U.S. securities laws is already regularly impeded by the ability of transgressors to conduct their dealings through banks or securities firms located in countries with secrecy or blocking laws. Many an SEC investigation leads inconclusively to a Swiss bank.

Accordingly the SEC wants to know how international surveillance mechanisms could be developed, and how nations and securities markets might co-operate to assist enforcement of fraudulent or illegal transactions of an international character.

"In particular," the SEC asks, "would it be practicable to reach bilateral or multinational agreements on securities law enforcement, possibly through the aegis of a co-ordinating body of national regulatory entities?"

Respondents are asked to file three copies of their comments with John Wheeler, Secretary, SEC, Washington DC, by June 30.

Firestone up sharply despite sales slip

By Paul Taylor in New York

FIRESTONE Tire and Rubber, the second largest U.S. tyremaker, yesterday posted fiscal second-quarter earnings from continuing operations of $19m, or 45 cents a share, compared with $11m, or 22 cents a share, in the year-ago perind on sales which slipped to $936m from $988m.

Net income, including extraordinary credits increased to $20m, or 48 cents a share, in the quarter ending April 30 from $16m, or 33 cents, in the year-ago period when net earnings were boosted by $5m, or 11 cents, from discontinued operations.

Firestone said the increase in quarterly income from continuing operations, which compares with earnings of $17m, or 39 cents, in the fiscal first quarter, reflected improved results in the group's U.S. retail and diversified products operations and $4m of non-recurring income.

Sing Tao calls for suspension

By David Dodwell in Hong Kong

THE BOARD of Sing Tao Newspapers, the Hong Kong group controlled by Miss Sally Aw Sian, yesterday called for a suspension in trading of the company's shares without providing any reason for suspension.

At the same time, it was learned that Miss Aw was in Sydney, Australia, where her once privately owned property group Cereus was planning a "major announcement" today. In November last year, Cereus mounted an A$2.7m ($1.88m) bid for Smith and Miles, a Sydney-based public company.

Deere back in surplus for second quarter

BY OUR FINANCIAL STAFF

DEERE & Company, the world's biggest farm equipment manufacturer, has bounced back into the black in the second quarter after losses of $28.2m in the first three months of its fiscal year.

Net earnings in the second quarter ended April 30 were $34.8m, or 52 cents a share, against $39.3m, or 58 cents, a year earlier. The latest quarter includes an $11.1m after-tax provision for reductions in salaried employees.

For the first six months of the current year, the Moline, Illinois-based group managed net profits of $6.6m, or 10 cents a share, down from $41.3m, or 61 cents, in the corresponding period a year earlier.

Sales fell from $2.1bn to $1.9bn in the first six months, and from $1.2bn to $1.1bn in the second quarter.

Earnings in the second quarter include benefits from the planned reduction of inventories valued on a Lifo basis of $8.1m, or 12 cents a share, against $8.2m, or 12 cents, a year earlier, and $17.1m, or 25 cents a share, in the first half, compared with $13.6m, or 20 cents.

Analysts believe the weak farm economy may continue to limit demand in the current year.

Seiko earnings ahead 11.5%

By Carla Rapoport in Tokyo

HATTORI SEIKO, the world's largest watch manufacturer, posted an 11.5 per cent increase in pre-tax profits to Y7.9bn ($31.6m) for the year ended March.

According to the unconsolidated figures released yesterday, Seiko's sales inched ahead by 3.2 per cent to Y373bn.

Keen competition in the world watch industry helped to slim Seiko's operating profits as a percentage of sales.

Guidelines issued for securities dealers

BY TERRY DODSWORTH IN NEW YORK

THE FEDERAL Reserve Bank of New York has issued voluntary guidelines on capital edequacy for dealers in U.S. government securities who are not supervised by the Federal authorities.

This is the first step towards establishing some cootrol over the growing market for U.S. government paper after a series of failures that highlighted weaknesses in the present system.

The new proposals do not go as far as many critics of the present system would like. In recent hearings some Congressmen have suggested that there should be some formal obligation for dealers to comply with certain capital standards in their securities dealing.

The Fed, however, has responded cautiously to these suggestions, emphasising that a voluntary system has considerable merits in terms of flexibility. The document, a slightly revised version of proposals published for comment in early February, does oot call for submission of reports to any government entity, and does not require the examination of unregulated dealers.

Instead, it calls for dealers to limit the size of their risk consistent with the amount of liquid capital available to absorb losses. At the same time, it establishes formulae for estimating the possible risk facing dealers in a significantly adverse market, and recommends that their liquid capital should always exceed "measured risk" by 20 per cent.

In the past three months the market has been shaken by the failure of two unregulated dealers – ESM Government Securities and Bevill Bresler and Schulman Asset Management

INTERNATIONAL CAPITAL MARKETS

AIBD to discuss major reforms

BY MAGGIE URRY IN LONDON

THE Association of International Bond Dealers (AIBD), whose annual conference begins in Helsinki tomorrow, faces its toughest challenge since it was founded in 1969.

As representatives of the 707 members gather in the Finnish capital, they are faced with proposals for reforms to the AIBD's structure that will make it better able to adapt to the fast-moving changes in the Eurobond market.

However, many delegates feel that reform has come too late, and already two new associations have been founded to represent the interests of two groups of AIBD members – the primary market and the secondary market-makers. These bodies – the International Primary Market Association and the Second Market-Makers Association – are both working on recommendations to their members over conduct of their business.

While the two groupings are complementary to the AIBD, it is clear that many AIBD members do not feel that the umbrella organisation can effectively act as a self-regulatory body.

The suggested reforms to the AIBD cover both the powers and composition of the board. In the past the board has only been able to make recommendations for rule changes to the general meeting. Now the board wants to have the power to make and amend rules, which would considerably speed up the process.

There are also proposals to reform the election and the composition of the board. The whole board is up for re-election this year, but, in future the 15-member board would have one third of its number re-elected each year. Candidates would be nominated by a committee rather than putting themselves forward. The board would also have to represent the different regional and functional parts of the whole market.

For the reforms to move to the next stage – an extraordinary meeting in the autumn to approve detailed plans – the proposals must be agreed by what the AIBD calls an "extremely positive" vote. If they fail to win such support it is unclear what the AIBD would do next.

Euromarket debut for Dai-Ichi Kangyo

BY OUR EUROMARKETS STAFF

THE EURODOLLAR bond market reacted yesterday after the strong rise of recent days. But syndicate managers were still able to launch new deals with Dai-Ichi Kangyo International making its debut as a book-runner with a $150m deal for its parent's Hong Kong subsidiary.

The issue has a five-year life and pays a 10⅞ per cent coupon. Issue price was set at 100⅛, and the proceeds will be swapped into floating-rate funds. Five co-leads were brought into the deal, which was trading yesterday within its 1⅞ per cent fees.

Morgan Guaranty won the mandate for a $75m issue for ITT Credit, which also has a five-year life. It was priced to give an all-in cost to the borrower of 42 basis points over U.S. Treasury bonds and has a 10½ per cent coupon with a 101 issue price. Fees are 1⅞ per cent. The deal was launched late in the day and was trading just inside its fees.

In the U.S. domestic bond market Merrill Lynch priced a $300m yankee issue for Sweden with a 30-year maturity at a 11⅛ per cent coupon and 99½ issue. The bonds carry warrants to buy further bonds with the same terms, and these expire in December this year.

BHF Bank bond average

May 21		Previous
102.565		102.443
High	1985	Low
102.860		98.840

In the Eurosterling market Imperial Chemical Industries launched a £75m issue which has a further £50m for sale as a tap. The book-runner on the issue is S. G. Warburg, with J. Henry Schroder Wagg as co-lead.

With a coupon of 11¼ per cent and par issue price ICI's cost of borrowing, taking in the 2¼ per cent commissions, is 20 basis points below the yield on gilt-edged bonds. The ICI issue finally matures on September 20 1995, and the first coupon will be paid after 15 months. Redemption will be in two equal instalments. Traders regarded the terms as tight but acceptable, and the bonds traded within the fees at a discount of around 1¾ points.

Long Term Credit Bank of Japan made a direct issue of bonds from Japan in the EuroCanadian dollar market. The C$70m issue is led by LTCB International and has a nine-year life. The coupon was set at 11½ per cent and issue price at 100⅝. Fees total 2 per cent, and with sales to Japanese investors expected to be good, the issue was quoted within the fees.

In the Swiss franc foreign bond market Crédit Suisse launched the longest fixed-rate issue yet seen – a 20-year SwFr 100m deal with an indicated yield of 6¼ per cent – for the Asian Development Bank. A further tranche for SwFr 50m will pay a floating rate at ⅛ per cent above six-month London interbank offered rate for Swiss francs and has a 15-year life.

Also in Swiss francs, SBC led a seven-year private placement for the State Electricity Commission of Victoria. The amount is SwFr 47m suggesting that the proceeds will be used in a swap. The terms were fixed at a 5⅞ per cent coupon, testing a lower level, but with a 99⅞ issue price.

Trading in the Swiss franc foreign bond market was fairly subdued though the tone was firmer and some prices were higher.

Similarly D-Mark foreign bonds were slightly better, although here too trading was thin ahead of the bond dealers' conference in Helsinki.

The European Community is expected to announce a private placement of European Currency Unit bonds on the Japanese domestic bond market through a private placement. The deal is likely to raise Ecu 50m and will be the first Ecu bond in Japan

● The rumoured appointment of Mr Stanislas Yassukovich as head of Merrill Lynch's European and Middle Eastern operations has been confirmed.

International bond service, Page 20

Bank of Tokyo leads $2bn deal for China

BY OUR FINANCIAL STAFF

THE BANK of China has signed an agreement with Bank of Tokyo, one of Japan's commercial banks, for a $2bn syndicated credit earmarked for use in energy, transport and other modernisation projects under the Chinese seventh economic plan which begins next year.

Terms for the 10-year facility are expected to include interest at between ⅛ and ⅜ point over London interbank offered rate (Libor). These are finer than the ½ point margin secured by China in 1979 for a 4½-year credit extended by Japanese banks, which expires next month and has not been drawn down.

The syndicate sought by Bank of Tokyo for the fresh credit may include all of the country's 13 large commercial or city banks as well as the Long-Term Credit Bank of Japan and some regional institutions.

Syndication is expected to be in place by early July.

French utility raises facility to $750m

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT IN LONDON

THE LOAN facility being raised by Electricité de France in the Euromarkets was yesterday increased to $750m from an original $400m following heavy oversubscription, Société Générale said yesterday as lead manager.

An increase in the deal had been expected since the end of last week when syndication closed with subscriptions totalling $900m. EdF is understood to have considered an even larger increase but received authorisation from the French Treasury for only $750m.

The facility, which carries an annual fee of 6¼ basis points, allows EdF to raise money through the sale of short-term Euronotes, commercial paper or short-term bank loans. It is backed up by a 10-year backstop credit carrying a margin of 6 basis points plus a utilisation fee of up to 17½ points.

INTERNATIONAL COMPANIES and FINANCE

Daimler-Benz spells out concessions to Dornier

BY JOHN DAVIES IN STUTTGART

DAIMLER-BENZ, the West German motor vehicle concern, has confirmed that it has made concessions to Herr Claudius Dornier to win his agreement to the deal under which it is taking control of the Dornier aerospace and research group.

Prof Werner Breitschwerdt, the Daimler-Benz chief executive, said that Herr Dornier would have "certain minority rights" similar to those normally attached to a 25 per cent stake in a West German company.

Daimler-Benz had also promised Herr Dornier "certain support" for the development of his Seastar seaplane project.

Under the final agreement reached last week, Daimler-Benz will have a 65.5 per cent stake in Dornier, Claudius Dornier 20 per cent, Silvius, one of his brothers, 10.5 per cent and the state government of Baden-Württemberg 4 per cent.

Prof Breitschwerdt said that the minority rights were not bound to Herr Claudius Dornier in person but would apply to any package of 12.5 per cent of Dornier shares. This meant that Herr Claudius Dornier could bequeath or sell his shares and minority rights, he said. Daimler-Benz did not have an option on first right of purchase.

Although he gave no details, Prof Breitschwerdt indicated that the minority rights would enable Herr Claudius Dornier to prevent his position being eroded through capital increases or changes in the company's constitution.

Daimler-Benz's management control would in no way be disadvantaged by this, he stressed.

Dornier did not need a capital increase in the immediate future, he added. Daimler executives have indicated that finance for increased activity could be provided in other ways, such as bank credit or a loan from Daimler-Benz.

Prof Breitschwerdt said that Daimler-Benz had not agreed to take any responsibility for the Seastar project, but had simply agreed that the Dornier group's facilities could be helpful to Claudius in his personal venture.

Herr Edzard Reuter, the Daimler-Benz finance chief, said that the support would not be on any great scale.

Herr Claudius Dornier is to be ensured a seat on Dornier's supervisory board and Herr Silvius Dornier, probably also, said Prof Breitschwerdt. But no decision had yet been made about the group's top management.

Herr Manfred Fischer was dismissed as Dornier's chief executive recently as part of a feud among the family shareholders in the company. His sacking touched off the chain of events which led to Daimler's purchase of a majority stake to ensure a stable future for the Dornier group.

Prof Breitschwerdt said that the Dornier takeover and Daimler's earlier decision to assume full ownership of MTU, the engineering concern, were not a turning point for Daimler, but part of a consistent process of broadening the group.

Vehicle manufacture would continue to be Daimler-Benz's main concern, but it had a long-term strategy of broadening out into high technology areas, he said.

Daimler-Benz has not disclosed the purchase prices, but the Dornier and MTU acquisitions are estimated to have cost it in the region of DM 1bn ($326m).

Daimler-Benz executives have indicated that they intend to take an "arm's length" approach to preserve the flexibility and creativity of Dornier, whose sales of DM 1.5bn last year were dwarfed by Daimler-Benz's sales of DM 43.3bn.

They expect to increase the flow of orders to Dornier, though on a competitive basis, and to coordinate research efforts. But at the same time they are anxious to avoid disturbing the independent highly motivated Dornier research efforts.

Fanuc beats profit forecast with 18.5% gain in full year

BY YOKO SHIBATA IN TOKYO

FANUC, the leading Japanese maker of numerically controlled systems for machine tools, has achieved an 18.5 per cent boost in pre-tax profits to Y51.93bn ($207.4m) for the year to March.

This compares with the Y43.81m taxable result for the previous year, and exceeds by Y2.93bn the company's own forecast of a year ago.

Parent company net profits emerged 27.8 per cent higher at Y24.97bn, on turnover ahead 22.8 per cent at Y141.73bn. Earnings per share were Y222.78 against Y232.48 while a term-end dividend of Y6.50 makes an unchanged total of Y13.

Reflecting a surge in private sector capital investment, the company enjoyed active demand from overseas and domestic machine tool makers, with orders received for those products amounting to Y156.18bn, up 32 per cent.

Sales of these machine tool systems, accounting for 81.7 per cent of the total turnover, rose 23.9 per cent.

Industrial robot sales advanced 33.6 per cent, representing 9.4 per cent of turnover. This resulted from brisk shipments to GM Fanuc Robotics, its joint venture with General Motors of the U.S.

In the second half, Fanuc diversified into plastic injection moulding machines based on technology from Cincinnati Milacron, also of the U.S. This provided sales of Y800m and orders received totalling Y198m. Electro-discharge machine sales moved up by 5.2 per cent to contribute 6.9 per cent to the total turnover.

Overall revenue export advanced 27.8 per cent to account for 37.8 per cent of the total turnover.

Exchange gains and other exceptional items more than offset higher depreciation charges resulting from a Y60bn new plant completed last autumn.

For the current year, Fanuc foresees rising orders and a full contribution from the moulding machine division. The company also expects economies of scale resulting from a doubling in production capacity at its new plant at the foot of Mount Fuji. At the same time, depreciation charges are expected to ease.

These favourable factors lead Fanuc to expect full-year pre-tax profits of Y56bn, up by 7.8 per cent, with projected net profits of Y25.8bn, up by 3.3 per cent, on turnover which at Y165bn would emerge 16.4 per cent ahead.

Hoffmann-La Roche sales soar by 20%

BY JOHN WICKS IN ZURICH

HOFFMANN-LA ROCHE, the Swiss chemical group, increased its sales by over 20 per cent during the first quarter of this year to SwFr 2.5bn ($975m).

Mr Heinz Gerber, chairman of the Basle-based parent company, said it was not certain that this growth rate could be maintained.

He pointed to the recent strength of the dollar, which was 20 per cent higher in the first quarter of 1985 than in the corresponding three months of last year, and added that this development was unlikely to continue at the same rate.

Despite this, he said, Hoffmann-La Roche expected to continue its favourable progress and "strengthen its profitability further."

Last year, net income of the group had risen by 15.8 per cent to SwFr 380.2m after an improvement in consolidated turnover by 10.1 per cent to SwFr 6.27bn. At the shareholders' meeting the board is to propose an increased dividend of SwFr 1,200 (1983, SwFr 1,175) per share and dividend certificates.

Dr Andres Leuenberger, managing director, said the recent announcement of the British "limited list" which will affect Roche's psycho-pharmaceutical sales in the United Kingdom, would lead to a loss of SwFr 50m UK turnover this year – "at the most pessimistic."

The company believes that sales of tranquillisers and vitamins can continue in Britain on the private market.

Higher spending slows Ricoh profit growth

BY CARLA RAPOPORT IN TOKYO

RICOH, one of the world's leading manufacturers of copiers and office equipment, has pushed up pre-tax profits by 9.7 per cent for the year ended March to Y28.9bn ($115.4m), on sales up 16.2 per cent to Y451.6bn.

The growth reflects something of a slowdown for Ricoh, which last year reported a 45 per cent increase in pre-tax profits and nearly 20 per cent improvement in sales. Net profits in the 1984-85 year were up 13.9 per cent to Y13.9bn, against a 94 per cent surge last year.

Ricoh officials said yesterday the relatively slower growth in parent company profits was due to sharply increased spending on research and development (R & D), increased outlays on capital expenditure and tough price competition in the world markets for its major products.

The company forecast that the expected economic slowdown in the U.S. would worsen trade friction between the U.S. and Japan and lead to a decline of Japanese exports to the U.S. by 1986.

As a result, Ricoh is aiming to increase the sophistication of its office equipment through bigger investment in new automation technologies. R & D spending last year jumped by more than 25 per cent to Y28bn, representing 6.3 per cent of sales.

At the same time, capital spending on manufacturing capacity expansion leapt by more than 50 per cent to Y34.6bn.

Because of these and other efforts, Ricoh expects sales in the current year to jump nearly 20 per cent to Y548bn, with pre-tax profits up nearly a third to Y33bn.

In the year just ended, exports of Ricoh's copiers jumped by 26 per cent to more than Y100bn. Copiers account for 54 per cent of Ricoh's sales, but sales in the home market are largely stagnant.

Sales of its cameras abroad fared extremely well last year, with exports growing by 68 per cent to Y18bn as opposed to a 2.4 per cent sales growth in the home market.

Overall, the group's operating margins slimmed in the year to 5.4 per cent from about 6 per cent last year. Ricoh believes that margins will widen over the next few years as it begins to reap the rewards of its heavy investment programme in R & D and capital expenditure.

INTERNATIONAL APPOINTMENTS

Olson is named president at AT&T

By Paul Taylor in New York

AMERICAN TELEPHONE and Telegraph (AT & T), the U.S. telecommunications group, has named Mr James Olson, 58, as president and chief operating officer. The appointment appears to put Mr Olson in line to succeed Mr Charles Brown at AT & T's chairman, when he retires next year.

Mr Olson, a Bell System veteran who began his career cleaning manholes and splicing cables with the Northwestern Bell Telephone Company in 1943, is at present vice-chairman of AT & T and chairman of AT & T Technologies, the division that includes the telephone giant's unregulated businesses like computers, electronics and research.

The new appointment, effective June 1, will place Mr Olson in charge of all the group's principal lines of business in the U.S. and overseas, including its long distance telephone operations.

The president's job at AT & T has been vacant since Mr William Ellinghaus retired last year after the court-mandated break-up of the Bell System.

Chairman for Xerox

MR DAVID KEARNS is to become chairman of Xerox Corporation, the U.S. office equipment company, and Mr William Glavin vice-chairman from Thursday, as part of a realignment of the responsibilities of its three-member corporate office.

Mr Kearns, 54, has been Xerox's president and chief executive officer since May 1982. He will continue as chief executive.

As chairman, Mr Kearns succeeds Mr C. Peter McClough, 62, who will become chairman of the executive committee of the board, in place of Mr Kearns.

Mr Glavin, 53, an executive vice-president since 1983, will assume the newly-created post of vice-chairman. AP-DJ

Marengo is joint managing director of Credito Italiano

BY ALAN FRIEDMAN IN MILAN

DR PIER CARLO Marengo has been appointed joint managing director of Credito Italiano, Italy's third largest bank and a member of the IRI state holding group of companies. Dr Marengo, who has worked for the past 39 years on the bank's foreign side, will have special responsibilities as head of international activities. He has also been named a director of the bank.

The Turin-born Dr Marengo replaces Dr Mario Rivosecchi, who is retiring at the age of 65. Dr Rivosecchi will remain a director of Credito Italiano for the next two years.

Dr Marengo, joined the Turin branch of Credito Italiano as a clerk after graduating *summa cum laude* in economics from the University of Turin.

Over the past decade, Dr Marengo has supervised the opening of bank branches in London, New York, Los Angeles and Tokyo. He has also supervised the opening of representative offices in Chicago, Moscow, Hong Kong, Caracas, Cairo and Amsterdam.

Regarding the bank's future strategy abroad, Dr Marengo says he intends "to move toward improving our services and marketing, with particular emphasis on taking the risks needed to increase Italy's experts."

Airbus gives more top jobs to non-French

BY DAVID MARSH IN PARIS

AIRBUS INDUSTRIE, the European airliner manufacturing consortium, has restructured its senior management so as to give more top positions to non-French executives.

The changes are part of a change in strategy at Airbus under M Jean Pierson, its new chairman, who was brought in from Aerospatiale of France earlier this year.

Mr Robert Whitfield, from British Aerospace, takes up a post of senior vice president responsible for finance, while M Bernard Ziegler, already the Airbus vice president in charge of flight testing, will take over an enlarged responsibility including engineering.

Herr Juergen Thomas has been appointed senior vice-president in charge of industrial programmes with responsibility especially for coordinating the shareholders' roles in construction and subcontracting.

M Jean Roeder will become responsible for new product development while M Georges Ville takes over purchasing policy and M Gerard Blanc after-sales service.

M Pierre Pailleret remains in charge of marketing. The new seven-man team of senior vice-presidents—compared with five previously—reports to M Pierson and to Herr Jehan Schaeffler, the newly appointed general manager.

Exxon appoints Rawl president

NEW YORK — Exxon's board has elected Mr Lawrence G. Rawl as the new president of the corporation. Mr Rawl has been a director and senior vice-president of Exxon, the world's biggest energy company, since 1980.

He succeeds Mr Howard Kauffmann, who has chosen to retire after 39 years with Exxon, including 10 years as president.

As president of Exxon Mr Rawl is the current front runner among executives who could succeed Mr Clifton C. Garvin, Exxon's chairman, upon his retirement.

Mr Rawl "will probably concentrate on developing new oil and gas supplies," said Mr William Randol, oil analyst with First Boston.—Reuter

INTL. COMPANIES & FINANCE

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for May 21.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 12⅛ 88	190	105⅞	106⅜	−0⅛	+0⅝	10.34
Austria Rep 13⅝ 92	100	112	112½	+0⅝	+2	11.04
Bank Of Tokyo 12⅝ 92	100	†103½	104	−0¼	−0½	11.75
Bank of Tokyo 13⅝ 91	100	109⅞	110⅜	−0⅝	+1⅛	11.23
BP Capital 11½ 92	190	100⅝	101⅛	−0¼	+1⅜	10.91
Caisse Nat Tele 13¾ 91	100	111¾	112¼	−0⅜	+1⅜	10.93
Canada 11½ 90	500	104½	105	−0¼	+1	10.19
Canadian Pac 12½ 99	75	106	106½	+0⅛	+1½	11.66
CBS Inc 11⅞ 92	100	103⅛	103⅝	−0⅛	+2⅝	10.60
Chevron U.S.A. 12¼ 89	600	104¼	104¾	−0⅛	+0⅞	10.90
Coca Cola 11¾ 91	190	105¾	106¼	−0⅜	+1¼	10.39
Denmark Kingdom 11½ 90	100	101⅝	102⅛	+0½	+0½	10.99
Denmark Kingdom 11½ 92	100	100¾	101¼	−0⅛	+1½	11.27
Denmark Kingdom 13¼ 91	100	107⅞	108⅜	+0¼	+1	11.35
Denmark 13⅞ 88 XW	100	†108½	109	+1⅛	+1⅛	10.58
Denmark Kingdom 14 91	100	109¼	109¾	−0⅛	−0½	11.72
E.E.C. 11⅛ 00	100	101½	102	−0¼	+0½	10.80
E.I.B. 13 96	200	108½	109	−0¼	+1⅜	11.55
Export Dev Corp 12 88	100	105⅛	105⅝	−0⅛	+1	10.39
Exxon Capital Corp 0 2004	1800	12⅝	12⅞	0	+0⅝	11.21
Ford Motor Cred 11⅝ 85	100	99⅝	99⅞	+0⅛	+0⅜	11.81
IBM Credit 10⅞ 2000	300	100¼	100¾	−0⅛	+0⅝	10.29
IBM Credit Corp 11¾ 87	200	104½	105	0	+1⅜	8.36
Indust Bk Japan 12⅜ 00	100	108¼	108¾	−0¼	+1¼	10.82
Indust Bk Japan 13⅞ 91	125	113	113½	−0⅜	+2⅜	10.79
Int-Am Dev Bk 12¾ 91	150	106⅞	107⅜	+0⅛	+1½	11.11
Japan Air Lines 13⅜ 94	150	115⅛	115⅝	+0⅛	+1⅞	10.85
Kellogg Company 10⅝ 96	100	101½	102	0	+0⅞	10.35
Kellogg Company 11¼ 92	100	102⅜	102⅞	0	+0⅝	10.65
L.T.C.B. 12⅞ 91	100	107½	108	0	+1½	11.59
Macy Cred Corp 11¾ 95	100	102¾	103¼	+0½	+1¾	11.20
Mellon Bank 13 87	100	105	105½	−0⅛	+0½	10.23
Merrill Lynch 12¾ 00	100	105½	106	−0¼	+1¼	10.98
Minnesota 11½ 87	100	103⅛	103⅝	0	+0⅝	9.79
Mitsubishi Corp 13¼ 89	100	110¼	110¾	−0¼	+0⅝	10.03
Montagu 13¼ 01	190	105½	106	0	+0½	11.86
Morgan Guaranty 12⅜ 89	150	105½	106	0	+1⅛	10.62
Nippon Cred Bk 13⅞ 89	100	109½	110	−0¼	+1	10.89
Nth America 12⅞ 91	100	105⅞	106⅜	+0⅛	+1¾	11.44
Penney J.C. 12¾ 91	100	106	106½	+0⅛	+0½	11.28
Pru Realty secs 12⅛ 95	546	104⅞	105⅜	+0⅜	+1⅛	11.20
Quebec Hydro 11½ 92	100	104⅝	105½	+0¾	+3	10.58
Ralston Purina 11¾ 95	150	102⅞	103⅜	0	+1¼	11.21
Ralston Purina 12¾ 89	190	106⅞	107⅜	−0¼	+1⅜	10.80
Royal Bk Can 12¾ 92 XW	190	103½	104¼	−0¼	+0½	11.84
Saskatchewan 10 3/4 92	190	99	99½	−0⅛	+1⅝	10.89
Saskatchewan 11 7/8 89	190	104⅜	104⅞	−0⅛	+0⅜	10.40
S.N.C.F. 12⅜ 92 XW	190	102⅛	102⅝	−0¼	+0¼	11.85
Statoil 13½ 89	100	110⅛	110⅝	0	+1⅛	10.29
B Wales Tray 11¾ 96	150	103¾	104¼	−0⅜	+0⅞	10.66
Swed Exp Cred 12¼ 88XW	100	105½	106	−0⅛	+1	10.06
Sweden Kingdom 10⅞ 90	200	100⅛	100⅝	0	+0⅞	10.77
Sweden Kingdom 11½ 89	200	103	103½	−0⅛	+1¼	10.53
Sweden Kingdom 11¾ 94	100	103¼	103¾	+0¼	+1⅞	11.11
Texaco Capital 12⅞ 87	300	104⅞	105⅜	0	+0¾	10.18
Texaco Capital 13½ 89	200	108½	109	−0¼	+1⅞	10.77
Toronto Dom Bk 12½ 88	100	†103	104	0	+0⅛	10.89
Walt Disney Pro 12½ 87	190	104¾	105¼	−0⅛	−0⅞	9.95
Weyerhaeuser 12¼ 87	150	103¾	104¼	0	+0½	10.22
World Bank 12¾ 94	150	106⅜	106⅞	−0⅛	+1¾	11.06
World Bank 12⅞ 94	200	110	110½	+0¼	+2⅜	11.03

Average price change On day 0 on week + 1

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	102¼	103	0	+0⅛	7.58
Austria Republic 7⅝ 94	200	101¼	102	+0⅜	+0⅜	7.36
Baxter Travenol 7¼ 94	200	101⅛	101⅞	+0⅜	+0⅝	7.01
Credit National 8⅛ 94	200	104	104¾	+0⅜	+0½	7.42
Degussa Int Fin 7½ 94	100	104⅜	105⅛	+0¼	+0⅞	6.75
E.E.C. 8 92	200	103½	104¼	+0⅜	+0⅝	7.24
Escom 8 92	150	100⅛	100⅞	+0⅛	0	7.90
Ferrovie Dello Stato 8 91	100	102¼	103	−0⅛	0	7.42
Finland Republic 7 92	200	99⅜	99⅞	0	+0¼	7.26
Gould Int Fin 7⅝ 91	100	101⅜	102⅛	+0⅛	+0⅛	7.25
Ireland 8⅛ 92	150	102½	103¼	0	+0⅛	7.58
Japan Fin Corp 7⅝ 91	190	102⅝	103⅜	+0¼	+0¼	7.00
Mitsubishi Hvy 3½ 89WW	300	106½	107½	+0⅜	+1½	1.61
Mitsubishi Hvy 3½ 89XW	300	91	91¾	+0⅛	0	6.07
Mitsubishi Met 3⅛ 89WW	190	97½	98½	+0½	+0½	3.80
Mitsubishi Met 3⅛ 89XW	100	86½	87¼	0	+0½	6.58
O.K.B. 7½ 88	100	100⅛	100⅞	−0¼	0	7.31
Pepsico O/S Fin 7¼ 94	250	102⅜	103⅛	+0½	+0⅜	6.82
Renown 3⅛ 96	80	99¾	100¾	+0½	+0¾	3.07
Reynolds O/S Fin 7⅜ 94	125	102⅞	103⅝	−0⅛	+0⅛	6.96
Societe Cent Nucleair 8 91	100	102¼	103	0	0	7.44
Sth Africa Rep 8½ 91	200	101⅜	102⅛	+0⅜	+0⅛	8.13
Sth African Tran 7⅝ 92	196	96⅝	97⅜	+0⅛	+0⅛	8.16
World Bank 7¾ 89	100	101¼	102	−0⅜	−0⅛	7.22
World Bank 8 94	200	104½	105	+0⅛	+0⅝	7.24

Average price change On day + 0¼ on week + 0⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk 6¼ 94	100	†101½	101¾	−0¼	−0¼	6.01
Asian Dev Bank 6⅛ 96	100	†101¼	101½	0	+0⅛	5.95
Avon Cap Corp 5⅝ 94	130	†99	99¼	+0¼	+1⅛	5.49
Brit land Comp 6½ 99	75	†103½	103¾	0	+0⅜	6.11
Council of Europe 6 92	120	†101½	101¾	0	0	5.72
Creditanstalt 5½ 94	190	†98	98¼	0	0	5.75
Deutsche Bk Fin 5⅜ 95	190	†100½	100¾	+0¼	+0¼	5.29
E.I.B. 5⅞ 94	120	†101	101¼	0	+0¼	5.71
Eurofima 5 97	100	†99¼	99½	0	+0¼	5.07
Eurofima 5¼ 96	100	*100⅜	100⅝	0	0	5.19
Export Dev Corp 5⅜ 92	125	†99¾	100	+0½	0	5.39
First Boston Inc 5¾ 94	80	†101¼	101½	−0¼	−0¼	5.56
Gen Occidentale 4½ 94	80	†101½	101¾	0	0	4.29
J C Industries 5⅝ 94	125	†101½	101¾	+0¼	+0½	5.40
Ind Fund Fin 5¾ 94	40	†100	100¼	−0¼	0	5.73
Int-Am Dev Bk 6⅛ 94	120	†102	102½	−0⅜	+0⅜	5.80
New Zealand Govt 5¾ 94	150	†102½	102¾	+0¾	+1¼	5.36
N.Zealand steel 5⅞ 95	70	†98¾	99	−0½	−0¼	5.88
Oberos Kftwk 5⅜ 95	100	†98¼	98½	−0½	−0¾	5.58
Ost Donaukraft 5⅜ 95	70	†98	98	−0¾	−0¾	5.57
Ralston Purina 5⅜ 94	125	†99¼	99½	+0¼	+0¼	5.46
Santos Finance Ltd 6 94	130	†98¼	98½	−0¼	−0¼	6.23
Tokyo Elec Pwr 5½ 93	120	†99¼	99½	0	+0¾	5.60
Tokyo Metropolis 5¼ 94	80	†98½	98¾	0	+1	5.43
World Bk 5¾ 94	150	†101½	101¾	+1¼	+1¼	5.52

Average price change On day + 0⅛ on week + 0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria Republic 7 95	90	97⅜	97⅞	0	+0⅛	7.34
BP Overzee 7 92	17	99⅞	100⅜	0	0	6.97
Fed Nat Mort 6¼ 92	50	99	99½	0	+0½	7.20
Finland Republic 6¾ 90	15	99⅛	99⅝	0	0	7.15
World Bank 6⅝ 90	25	99¼	99¾	0	+0⅛	6.99

Average price change On day 0 on week + 0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 12¼ 97 CS	125	†101¾	102¼	0	+0½	11.91
British Columbia 12 90 CS	125	†102⅞	103⅜	0	+1	11.12
Can Nat Rail 12½ 96 CS	100	†104¾	105¼	0	+1¼	11.61
Chrysler Cred 12⅝ 92CS	80	†100⅜	100⅞	0	+0¾	12.48
Denmark 11⅝ 91 CS	100	†99½	99	0	0	11.91
Desjardins 12½ 90 CS	90	†101½	102	0	+0½	12.01
E.I.B. 12 96 CS	75	†103¼	103¾	0	+3⅜	11.38
Giro Und Bk 10½ 93 ECU	80	104⅞	105⅜	0	−0¼	9.57
World BK 10¼ 90 ECU	125	105⅜	105⅞	0	−0¼	8.67
World Bk 10⅝ 94 ECU	75	105⅛	105⅝	+0½	−0¼	9.56
Eurofima 7½ 92 FL	50	100¼	100¾	+0⅜	+0½	7.40
Philips Lamps 7½ 90 FL	100	101¼	101¾	+0¼	+0⅜	7.13
Rank Xerox 8 90 FL	100	101⅝	102⅛	+0⅜	+0⅜	7.53
Van Lanschot 7½ 90FL	50	99⅞	100⅜	+0⅜	+0⅜	7.71
World Bank 7½ 90 FL	190	100¼	100½	0	+0⅛	7.41
Charbonnages 13½ 85 FF	400	101¼	102	0	0	10.47
American Brands 12 85 £	40	103½	104	0	−0⅝	11.32
Amer Express 11⅝ 92 £	30	102⅛	102⅝	0	+0½	10.85
Australia Comm 11 92 £	40	99	99½	+0⅛	+0¼	11.37
BP Capital 10¾ 92 £	90	97	97⅛	+0⅛	+0¼	11.29
E.I.B. 11⅛ 93 £	50	97⅜	97⅞	+0⅛	0	11.59
Inco 12¾ 93 £	50	99⅝	100⅛	−0⅛	0	12.74
Mcdonalds 10⅞ 90 £	40	98⅛	98⅝	0	0	11.31
Norsk Hydro 11⅝ 91 £	50	102	102½	0	−0½	11.05
Privatbanken 11⅞ 92 £	20	99	99½	+0⅛	+0⅝	12.03
Rank Xerox 11 92 £	40	96½	97	0	−0⅛	11.70
Royal Trustco 11⅜ 90 £	30	98⅛	98⅝	+0⅛	+0⅛	11.53
Ster Drug Cap 10⅞ 90 £	30	97¾	98¼	0	+0¼	11.41
Swed Exp Cred 11⅜ 92 £	90	99⅛	99⅝	+0⅛	+0⅛	11.49
Trusthouse Forte 11⅛ 90£	50	96⅞	97⅜	+0⅛	−0¼	11.92
World Bank 11¼ 95 £	190	98¼	98¾	+0⅛	+0⅜	11.51
E.C.S.C. 10½ 94LF	100	103⅝	104⅝	0	0	9.79
Nat Lux Alum 10½ 92 LF	600	103⅞	104⅞	0	0	9.82

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
B.B.L. Int 5 89	0⅛	100⅜	100⅝	11/10	9⅝	9.58
BankAmerica O/S 5¼ 96	0⅛	100½	100¾	20/6	8.81	8.79
Bank of Montreal 5 96	0⅛	100⅝	100⅞	29/7	8¾	8.68
Bankers Trust 5 2000	0	99¾	100	11/6	8.81	8.82
Bankers Trust 5¼ 96	0⅛	100⅛	100⅜	13/5	9.31	9.29
Barclays O/S Inv 5 2004	0⅛	100½	100¾	4/9	10¼	10.18
B.F.C.E. 5¼ 99	0⅛	100⅝	100⅞	13/9	10.06	9.99
B.N.P. 5¼ 95 (July)	0¼	100	100¼	22/7	9⅛	9.11
C.C.F. 5¼ 97	0	99½	99¾	22/9	10⅝	10.66
Chase Man'tn 5¼ 2009	0⅛	99⅞	100⅛	5/6	9.69	9.69
Citicorp O/S 5¼ 95 Sep	0⅛	100	100¼	19/12	11.19	11.17
Credit Lyonnais 5¼ 96	0⅛	100⅝	100⅞	11/10	9.69	9.62
Dresdner Fin 5¼ 89	0	99⅞	100⅛	25/5	9⅜	9.38
Ireland 5¼ 97	0	100⅜	100⅝	26/10	9.89	9.84
Ireland 5¼ 99	0	100½	100¾	14/9	10	9.94
Italy, Republic 5 94	0⅛	100	100¼	9/5	9.94	9.92
Lloyds Euro 5 2004	0⅛	100⅛	100⅜	18/10	9⅛	9.10
Midland Int Fin 5 99	0⅛	100½	100¾	8/8	10.44	10.37
Nat West - Perp 5 89	0⅜	100⅞	101⅛	13/5	10⅜	10.27
Queensland Coal 5¼ 89	0¼	100½	100¾	9/5	10.06	10.00
Roy Bk Scot 5¼ 2005 £	0	99¼	99½	2/5	5¼	9.29
Societe Gen 5¼ 95	0	†100¾	101	12/10	9½	9.42
Sweden Perp 5⅛ 85	0¼	100¼	100½	9/7	9.44	9.40
Tokai 5¼ 89	0⅛	100½	100¾	12/6	9.94	9.88
Toyo 5¼ 99	0⅛	100¼	100½	14/6	9.81	9.78

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.84	94⅞	95⅞	+5⅛	4.65
Fanuc 3¾ 98	1/84	7032.5	159⅜	160⅞	0	36.55
Fujitsu 3 99	5/84	1320.9	90⅜	91⅜	0	18.57
Kumagai Gumi 3½ 2000	3/85	800	103¾	104¾	+0¼	8.87
Marui 3½ 99	7/84	1192	93⅝	94⅝	+2⅞	3.57
Mitsubishi Elec 2⅞ 00	3/85	422	92¼	93¼	−0⅛	−1.42
Murata 3½ 99	2/84	2351.2	113⅝	114⅝	+3⅝	32.00
Murata 3½ 2000	7/84	2396	111½	112½	+3¾	33.09
Nippon Elec 2½ 2000	1/85	1295	85½	86½	+2⅛	46.03
Nippon Oil Co 3 2000	5/85	923	96½	97¾	+0⅝	1.23
Nippon Oil Co 3¼ 99	3/84	1052	86⅝	87⅞	+0⅜	12.61
Oki Elec Ind 3½ 99	10/84	805	86⅛	87⅛	+0½	21.13
Orient Leasing 5¼ 99	6/83	2680	99½	100¾	+1⅛	−0.47
Sekisui House 3 99	6/84	612	97⅝	98⅝	−1¼	−2.17
Sony Corp 2 2000	5/85	4578	91⅛	92⅛	−3⅞	3.32
Sumitomo Corp 2⅞ 99	5/84	593	104⅜	105⅝	+3⅜	1.06
Taiyo Yuden 3¼ 2000	3/85	1078	90	99½	−0¼	−1.07
Takeda Riken 3⅜ 2000	10/84	7683	92¾	94¾	+2¾	18.27
Tokyo Sanyo Elec 3½ 99	12/84	772	89⅞	91⅛	−1¾	1.83
Toshiba Ceramics 3 2000	4/85	1734.2	92½	93½	+0⅛	0.01
Nippon Oil Co 2⅛ 92 SF	3/84	1052	†105¼	105½	−0⅜	15.76
Nippon Shinpan Co 2 92 SF	3/84	801	†94	94¼	+0¾	13.41
Settsu Paper 2¼ 92 SF	4/84	677	†136	138	0	−6.19
Asics 5 92 DM	12/89	520	102⅝	103⅝	+0⅛	21.92
Sum Realty 6¼ 92 DM	2/83	365	218¼	220¾	−2½	3.90

* No information available-previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – *Margin above six-month offered rate (‡ three month; § above mean rate)* for U.S. dollars. C.cpn. – current coupon. Cu. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTL. COMPANIES & FINANCE

Bernard Simon on a Canadian energy group's fight for recovery

Dome moves from intensive care to convalescence

SHAREHOLDERS and managers of Dome Petroleum, the debt-ridden Canadian energy producer, are beginning to see light at the end of a very long tunnel.

The sudden burst of confidence in a company that not long ago threatened the stability of some of North America's biggest banks was vividly demonstrated last wek at Dome's annual meeting in Calgary.

A year ago, Mr Howard Macdonald, the chairman, brusquely fended off a barrage of hostile questions, including barbs about his half-million-dollar-a-year salary.

At this year's get-together, boosted by the attendance of 400 Dome employees, the subject of Mr Macdonald's salary and a generous "golden parachute" provision he negotiated recently, were not even raised. Instead, one of the company's most persistent critics stood up to congratulate management on its accomplishments.

Mr Macdonald, a burly Scot who was treasurer at Royal Dutch Shell before moving to Calgary in September 1983, cautions that Dome shares are still not for widows and orphans. But he says that the company—after losing C$1.7bn (U.S.$1.24bn) in the past three years—is moving "from intensive care to convalescence."

More boldly, he predicts that, within a year, Dome will be the subject of a bid by some investor keen to get its hands on valuable assets at a bargain basement price.

Sweeping changes have taken place at Dome since the Canadian Government and four of the country's largest banks rescued it from total collapse in September 1982. It is no longer the same reckless company that rushed from one acquisition to another in the late 1970s and early 1980s; swept along by the energy boom in Western Canada, management's vision of a major new oilfield in the Arctic, and the banks' eagerness to provide as many loans as the company wanted.

Dome's assets ballooned almost 12-fold between 1976 to the peak of C$10.8bn in 1981, when it paid over C$2bn for control of Hudson's Bay Oil and Gas. In the process, the company's borrowings jumped in those five years from C$372m to a staggering C$6.6bn.

The debt became unmanageable when cash flows were squeezed simultaneously by soaring interest rates and falling oil and gas prices. Despite the acquisition of Hudson's Bay, cash from operations was cut by two-thirds in 1981. Interest on long-term debt (excluding capitalised interest) quadrupled between 1980 and 1982.

Since taking over, Mr Macdonald's main task has been to cut Dome's suit to fit its cloth. "There's a perception that Dome is being prudently and conservatively managed," said a corporate finance manager at Nesbitt Thomson Bongard, the securities firm, when explaining the unexpectedly strong demand for the company's C$121m international share issue, completed earlier this month.

The offering was almost twice oversubscribed and is the latest in a string of developments that have contributed to the present upbeat mood at Dome.

Earlier this year, 56 creditors agreed to reschedule over 80 per cent of the company's debt stretching repayments to 1995 in an effort to match debt servicing commitments to expected cashflows.

Dome has rid itself of the bulk of assets not related to its three core businesses of WesternCanadian oil and gas production, natural gas liquids and offshore contract drilling in the Arctic. A Quebec shipyard was sold recently for one dollar. Dome has withdrawn from a consortium negotiating an ambitious and costly project to ship liquefied natural gas from British Colombia to Japan.

According to Mr Macdonald, "our policy is a relatively simple one — a focus on high-return projects." The company is currently looking for a buyer for its 3.7 per cent interest in the Syncrude oilsands recovery plant in Northern Alberta, a capital-hungry operation.

Under the debt rescheduling pact, Dome has also agreed to sell a third of its 38 per cent stake in Dome Mines. The latter a Canadian gold mining group is on Dome Petroleum's books at C$6 a share, less than half its present market price.

The external environment has improved too, thanks to declining interest rates, a more stable Canadian dollar and the advent of a new Conservative Government in Ottawa.

Dome expects to reap substantial benefits from the new energy policy announced two months ago by the Federal government. This included the lifting of controls on domestic oil prices and tax relief for energy producers. Under the revised rules, about 60 per cent of the company's oil output will qualify for higher prices and the value of its reserves will rise by roughly 40 per cent. Each time oil prices go up by C$1, some C$19m a year is added to Dome's cashflow and C$9m to earnings.

Mr Howard Macdonald: "Our policy is a relatively simple one — a focus on high return projects"

A slowdown in development of natural gas reserves in the U.S. has raised Dome's hopes of stronger demand from U.S. customers for Canadian gas. Predicting that gas production will rise from 550m cu ft a day in 1984 to 800m cu ft within the next few years, Mr Macdonald points out that at the end of last winter "You had U.S. utilities in this town for the first time looking for gas in the ground."

Despite the asset disposals, Dome remains a force to be reckoned with in the North American energy industry. It is still Canada's biggest natural gas producer and ranks fourth in oil and gas liquids output. Its land holdings, totalling 58m acres, are almost double the size of the next biggest holder.

The company has continued to pump money into its core investments. It drilled one-third more wells last year than in 1983, and its oil and gas reserves have stabilised at 1.2bn barrels. Banks have agreed to provide up to C$485m in new credit facilities to fund projects and operations.

Were it not for its huge debt—now about $6.2bn—Dome would be in reasonable shape. It generated C$110m of cash from operations in the first three months of 1985 and posted an operating income of C$25m in the first quarter from C$30m a year earlier.

Even the successful share issue demonstrated however, the high risks and deep uncertainty that still hangs over Dome's future. To Dome's chagrin, the underwriting group charged a whopping 7.25 per cent commission, compared to 4-5 per cent for similar offerings by blue-chip Canadian companies.

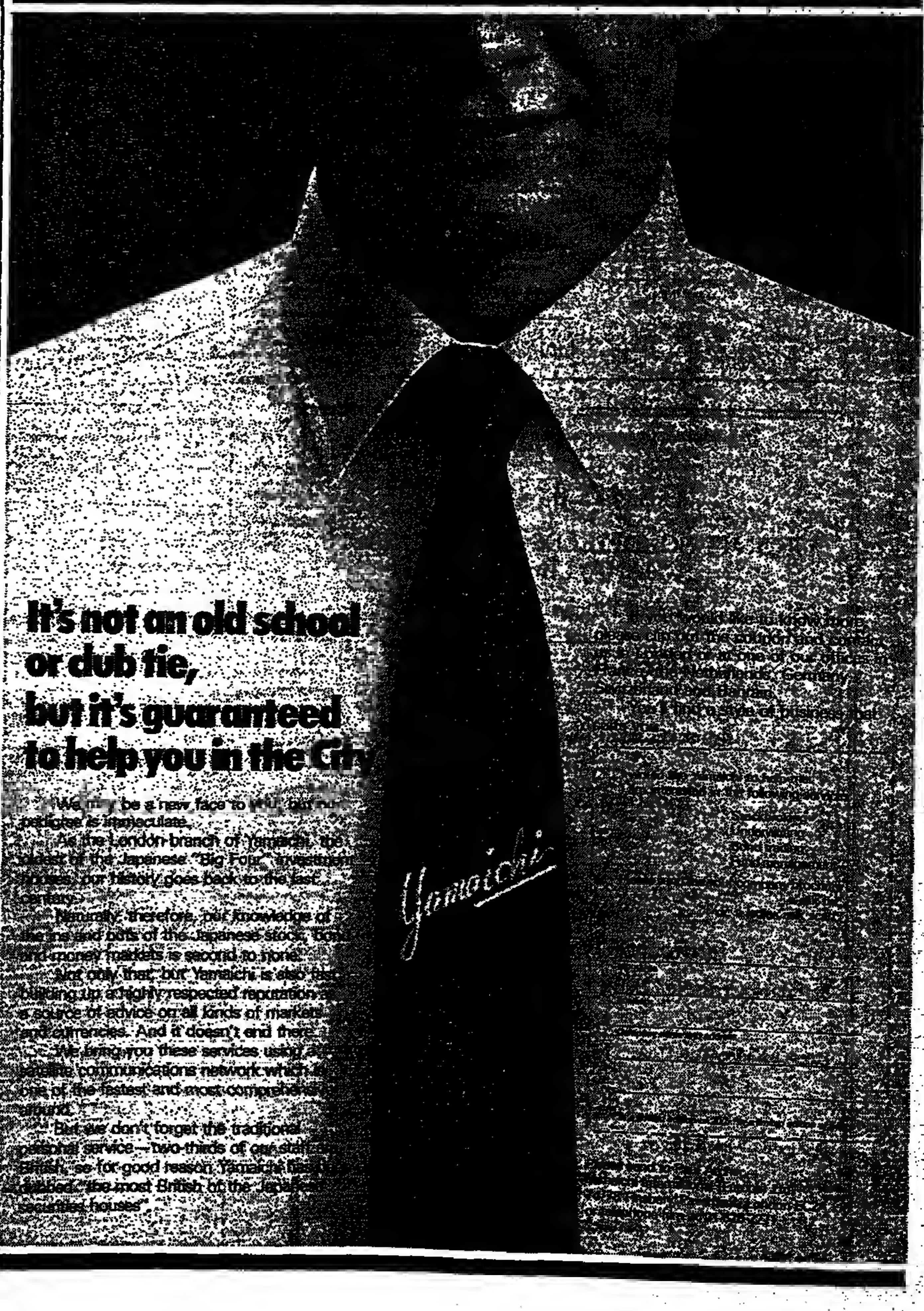
A sudden jump in interest rates or further falls in energy prices would send Dome back to the brink. No mention was made at this year's annual meeting of the fact that each percentage point rise in finance charges costs the company about C$50m a year in cashflow and C$27m in net income.

Furthermore, the fragility of some of its businesses is apparent from the first quarter results. Although the net loss has dropped from C$40m to C$23m in the past year, the improvement is due mainly to a small foreign exchange gain in the latest period, compared with C$45m loss on conversion a year earlier.

Contract drilling operations plunged to an operating loss of C$4m from C$19m profit, with revenues from this volatile source sliding by more than two-thirds.

Mr Macdonald concedes that the company battled last year to secure its first drilling work in the U.S. Arctic. "No one likes hiring someone who may vanish halfway through," he said wryly.

If contract drilling losses persist, Dome may be forced to cut back on its Arctic drilling capacity. Such a move would raise anew the question of the company's survival in its present form.



TECHNOLOGY

EDITED BY ALAN CANE

Power battle the data processing chiefs are winning

Alan Cane looks at office automation in the U.S.

AMERICAN DATA processing chiefs are taking back the powers and control they seemed *to have lost for good when personal* computers and workstations invaded corporate offices.

And their success is a contributory factor to the present slump in the U.S. computer industry.

A *major study of U.S. office* computing, released this week, shows that data processing and management information services *(MIS) departments now* control the purchasing of office systems in 57 per cent of Fortune 1000 companies.

Office automation committees dominated by data processing specialists control purchasing in a further eight per cent of large companies and *MIS* departments are responsible for deciding what personal computer software in 74 per cent of the companies surveyed.

These results show decisively that the data processing specialists are winning a fierce power struggle that has raged in large corporations over the past five years or so.

They used to have sole control of office technology planning and purchasing, but the coming of the personal computer *drastically* weakened their authority. Permission was neither sought nor needed to buy a personal computer and they were cheap enough to pay for out of petty cash. In many companies a kind of computing anarchy held sway as personal computers, many of them quite incompatible with each other, proliferated.

Some dp managers, concerned chiefly with building and maintaining large mainframe systems, could not be bothered to control the influx of electronic typewriters, word processors *and personal computers until it* was too late.

"Five years ago, MIS had little clout in buying office computers," according to Ms Randy Goldfield, president of The Omni Group, the research organisation which carried out the study "But it flexed its muscles and wrested control oway from the users."

Ms Goldfield said there were three principal reasons why power had shifted back so abruptly to the technologist.

First, as the demands made of office computing became more sophisticated, the MIS specialists with professional skills in data processing came into their own. They alone could take on the salesmen from the hardware and software vendors on equal ground.

Second, the current trend towards linking personal computers together in communicating networks and connecting personal computers to the corporate mainframe so that files can be transmitted to personal workstations has generated new demands for telecommunications specialists: "As users began clamouring for electronic communications between their workstetions and other computers — including mainframe data processing systems—MIS was the only group with the ability to help," Dr Warren Waldbrand, Omni's director of research, said.

Third, a mood of desperation had overtaken dp managers as they saw their empires slipping away. It created the right climate for what Ms Goldfield calls "corporate phagocytosis"—Dp and MIS departments simply swallowed up the office management and telecommunications areas of the company.

The study also showed there will be a dramatic rise in computer-based electronic communications in U.S. offices over the next two years.

Dr Waldbrand said three areas would experience strong growth, *local area networks*, used to transmit information quickly and securely between office computers, telephone exchange (PABX) *based* computer communications and long-distance electronic messaging.

The Omni report, "Techtrends '85 : Inside the American Office," is part of a long-term project in which some 3,000 users of office automation are interviewed at regular intervals to track changes in needs and objectives.

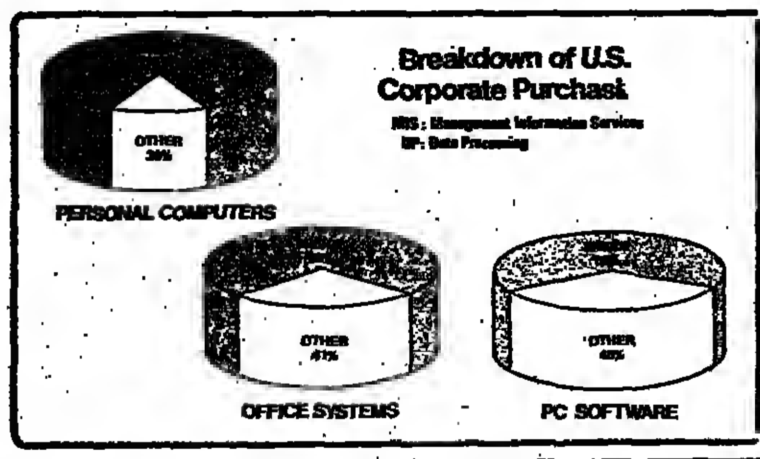
AT&T Information Systems, Hewlett Packard and Sperry were among the sponsors of the 1985 study. Omni is based in the U.S., and is owned by Butler Cox, the UK consultants in information technology.

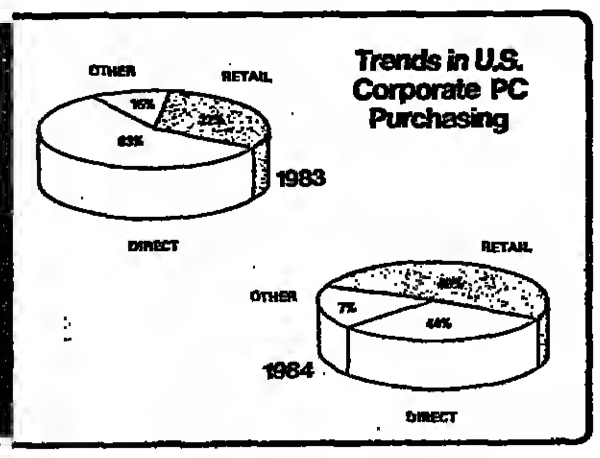
HIDDEN FACTORS which underlie the current slump in the U.S. computer industry were identified by the Omni study. They include:

- Managers and professionals seem to be tiring of the novelty of the personal computer. In more than 60 per cent of the companies surveyed, all from the Fortune 1000, managers had begun to delegate computer tasks to support staff.
- Nearly half the companies were buying their microcomputers from retail stores rather than from manufacturers —despite the fact that data processing managers were in charge again: "The shift from direct-from-manufacturer purchases has probably introduced new procedures for doing business which may put a drag on the buying process" Omni argues.
- The shift to the data processing department of control over office automation purchases has also slowed sales. With major new responsibilities for strategic purchasing, MIS and DP departments have put the brakes on uncontrolled computer buying in the office," Omni concludes.
- While users were demanding telecommunications facilities to link their machines, corporations were not convinced of any vendor's ability to fulfil their telecommunications needs—they were *still waiting for a communications* solution they could trust.

Mr Fred Heys, director of market and industry studies at Butler Cox in London, said there was a nine to 15-month lag between development in the U.S. and similar ones in Europe. In office automation, he said there was a further nine- to 15-month lag between the UK and other European countries.

He added: "The study paints a gloomy picture for European personal computer suppliers hoping to penetrate the American market. Even the native vendors will have a tough time improving their market share against the industry leader—IBM."





Randy Goldfield: finding rotten Apples.

Ms Goldfield investigates

THE WAY in which data processing managers were beginning to let control of office technology slip out of their grasp is illustrated by an *investigation carried out* by Ms Randy Goldfield of The Omni Group.

She was hired as consultant by a major manufacturing company which was about to move to a new corporate headquarters. It was a major operation involving some 20,000 people so senior management were concerned there should be no undue hitches.

The MIS director with responsibility for the corporate electronic files and office *automation told her:* "All you will need to do is take a quick look to make sure everything is all right. I have it all under control."

Ms Goldfield duly carried out the investigation and reported back to the MIS *director, asking: "What about* the 452 Apple microcomputers in the engineering department?"

"What 452 Apples? We do not have any Apples. Apples are incompatible with the company's computing policy," he replied.

But indeed the company did have 452 Apples, all bought out of company funds without the MIS directors' knowledge and all crunching numbers in the engineering shed.

The desk top computer, Ms Goldfield says, is: "the biggest threat to the MIS director since computing began."

DEC joins optical disk market

DIGITAL EQUIPMENT is offering a fully integrated optical disk reader system and has thus *joined a growing* band of companies with similar products, including Philips, Drexler, Thomson CSF, *Olivetti*, *Integrated* Automation and a number of Japanese companies including NEC.

Known as the Reader CD, the unit uses a modified Philips drive and a disk of about five inches diameter *which is able to store the* equivalent of 200,000 typewritten pages or two complete sets of encylopedia.

The system will allow companies to record bulk information currently found only in catalogues, service manuals, engineering drawings and similar places, and distribute it to desk-top terminals. A read-only system, it will be aimed initially at electronic publishing, and is an alternative to print or microfilm.

A CD Reader costs £2,300 with its controller and cables and volume deliveries will begin at the end of this year. More information on 0734 868711.

Solar power aid

ABOUT 3,000 people in Gabon, Africa, are benefiting from solar-powered electrical equipment installed as part of a U.S. Government programme.

The hardware, *providing* electricity for lighting and water supplies, is sited in four rural villages. The Lewis Research Center in Cleveland, run by the U.S. National Aeronautics and Space Administration, is managing the project.

A building in each village is provided, under the project, with an electric power system, air-circulation fan and refrigerator for storing medical supplies. In another *part of the scheme, schools* are given electricity.

Laser printer

HEWLETT-PACKARD is selling a £97,000 laser-printing system aimed at connection to IBM mainframes. The 2689A system prints at 45 pages a minute and can handle multiple character fonts. Hewlett-Packard already sells a desk-top laser printer that costs less than £3,000.

Cryogenic chair

BOC, the gases company, is strengthening ties with the world of research by financing a professorship in *cryogenic engineering at* Southampton University, England.

Professor Ralph Scurlock, *currently director* of the university's Institute of Cryogenics, will be in charge of investigations into low-temperature *gas separation* that could have applications in areas such as food preparation, medical research and *microchip* production.

Space link

JAPAN'S international telecommunications company, KDD, has developed a small satellite-communications kit that enables people in moving cars or boats to send information via space relay points.

The hardware weighs 45 kg and has a 40 cm aerial. KDD plans to *start production* of the system around 1990, mainly for use by ships that send and receive satellite messages via *spacecraft* operated by the International Maritime Satellite Organisation (Inmarsat).

The new system should be sold for about Yen 7m, compared with Yen 10m for conventional satellite receiving and transmitting equipment for ships, which weighs 160 kg.

Micro trainer

ARTIFICIAL Intelligence of Watford is selling a £545 training system for users of microcomputers that uses *LISP, a relatively new and* powerful computer language.

The company bases the product on a form of LISP sold by Golden Hill Computers of Cambridge, Massachusetts. The American product became available in November, since when 1,000 copies have been sold. Among the customers have been researchers investigating applications of expert systems, or computers with the ability to reason in a way similar to people.

UK COMPANY NEWS

Sainsbury makes £156m profit

A 20.3 PER CENT expansion in pre-tax profit has bsen achieved by the J. Sainsbury food and homecare group in the year ended March 23 1985. Shareholders benefit by having their dividend lifted from the equivalent 3.75p to 4.5p, with a final of 3.1p, the share to employees has risen by 24.7 per cent.

The company claims that during the year, and based on Department of Trade data, its share of netional trade in food and drink shops has moved up from 8.2 per cent to 8.7 per cent.

Its investment programme over the year bas been at a record £246m, with the opening of 15 new supermarkets being an average size of 26,000 sq ft, and nine Homebase with an average selling space of 46,000 sq ft.

The profit before tax came to £156.4m, compared with £130m. Of this, the retail profit was up from £133.7m to £158.8m, providing a record net margin of 5.06 per cent, against 4.97 per cent. Sir John Sainsbury, the chairman, is particularly pleased with this given that gross margins were held to a similar level as the previous year.

Sales, including VAT, advanced 16.6 per cent, from £2.69bn to £3.14bn. Trade from Sainsbury's outlets rose by 16 per cent to reecb just over £3bn and from Homebase the expansion was 60 per cent to £64m. Supermarket voluma growth was similar to last year at over 9 per cent.

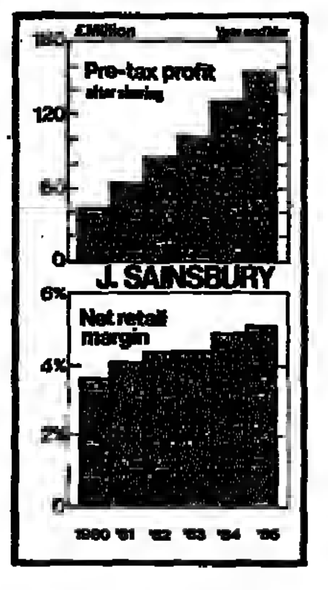
Sales by SavaCentre, which is jointly operated with Britisb Home Stores, were 17 per cent higber at £235m. The profit rose by nearly £1m to £9.7m.

Sir John says that during the year Sainsbury's price competitiveness has been improved still further, particularly in relation to major rivals. SavaCentre bas likewise strengthened its price competitiveness so that it is now regularly reported by an indepeodent researcb organisetion as having the lnwest grocery prices of any retailer its surveys.

The profit included associates' share ahead from £8m to £9.7m. As well as the SavaCentre holding, the group owns e 21 per cent interest in Shaw's Supermarkets of the U.S. which increased its sales by 14.3 per cent to $812m and its profits before tax by 11.3 per cent to £20.2m.

Employees' profit sharing cost £12.1m this time, compared with an edjusted £9.7m. Over 30,000 staff benafit and receive in cash or sheres the equivalent of about four weeks pay. Some 13,500 of the staff, representing over e quarter of all shareboldors, now own Sainsbury shares.

In 1984, an exceptional payment was provided to reflect the excess retail margin over the ceiling in the profit sharing scheme. Amendments to the scheme were ratified by shareholders in December. The comparative figures have been restated from £8.1m to £9.7m to show the combined amount, and the retail profit and margin have been adjusted accordingly.



After tax £48m (£41m) the net profit comes out at £108.4m (£89m) for ectual earnings of 15.81p (12.89p) per share and fully taxed—35 per cent—of 14.64p (12.26p).

Sir John says the year just gone is the sixth successive time that profit before tax and profit sharing has increased by over 20 per cent. In ten years profit has grown from £15.4m to ovsr £168m, a compound annual rise nf 30.4 per cent — after allowing for inflation this is equivaleot to 17.6 per cent real growth per annum.

Over the past five years the full range of proprietary and Sainsbury label food sold in traditional food and bousehold departments has risen by about 25 per cent, while the number of stores large enough to stock that full range has doubled to 110.

This bighlights the value of the expansion programme for the competitive position and the advantage the group gains from the age profile of the stores — over 40 per cent of selling space has been opened over the past five years. The same period has seen the number employed increased by 25,000, so that today the total workforce is 62,000.

At the year end there were in operation 253 supermarkets and 18 small stores with a total sales area of 4.3m sq ft, six SaveCentres with 424,000 sq ft and 23 Homebase with 1.04m sq ft. In the current year projected openings are for 15 supermarkets with sales area of 408,000 sq ft and five Homebase with 229,000 sq ft.

See Lex

Lanca profits up by 45% to £260,000

Pre-tax profits for Lanca, the Oldham-based bandbag manufacturer and wholesaler, rose hy 45 per cent in 1984. The improved results reflects a broad increase in sales with an underlying increase in margins.

Sales to multiple stores bave been particularly successful and margins have been belped by tighter import controls.

Pre-tax profits rose from £179,000 to £260,000, on turnover up 23 per cent from £2.47m to £3.04m. Operating profits were £215,000 (£135,000) with e small increase in bank interest received of £1,000 to £45,000.

Earnings per 20p share were up from 11.15p to 15.2p, which wheo revised to reflect the split of the shares in 2.5p units gives 1.9p (1.39).

Dividend per 2.5p share is to be 0.375p, compared with last year's 0.3p on the same basis.

The directors sey that the improved trend has continned into this year, although the strength of the dollar is putting some pressure on margins on imports from Far Eastern sources.

They add thet they are satisfied that pre-tax profits for the first half should be in line with the improved level of the first six months of 1984.

Fine Arts sells Early Learning offshoot to Menzies for £8m

By Lucy Kellaway

Fine Art Developments, one of Britain's largest makers of greetings cards, is to sell its educational toys subsidiary Early Learning to John Menzies, the newsagent, for £8.44m in cash. News of the disposal came with Fine Art's full-year figures to March 1985, showing pre-tax profits more than doubled to £7.2m. Early Learning contributed £0.9m on sales of £15.9m.

Fine Art bought 74 per cent of Early Learning in 1981, with the halance in 1984 for a total price of £1.26m. It has subsequently spent about £4m increasing the number of retail outlets from six to 96, while the mail order side of the business, which most closely complements Fine Art's own ectivities, has remained relatively static.

Fine Art says that the sale will allow it to expand its greeting card and mail order businesses, strengthen its balance sheet and improve its earnings potential.

John Menzies views the ecquisition as an opportunity to diversify its retailing interests further into what it regards as a profitable and well-identified area.

Fine Art'e profits before tax for thn year to March 1985 rose hy 114 per cent to £7.2m (£3.4m) on turnover up hy 37 per cent to £134.8m. The figures include the first full year's contribution from Selective Paper Group.

The increase in profits came after an increased interest charge of £3.9m (£2.1m) and after certain redundancy and relocation costs, the benefits of which are now in evidence according to the company.

There was a prior year credit of £0.4m which relates to a previous overpayment of VAT.

After tax of £2.7m (£0.9m) profits increased 88 per cent to £4.5m while earnings per share at 8.95p were np hy 91 per cent.

The company plans to pay a final dividend of 2.1p (1.9p) to make a total for the year of 3.2p (3p).

● comment

Judging by the relative movement in their sbare prices, the City seems to think that John Menzies has done better out of the Early Learning deal than Fina Art. But Fine Art argues that its expertise—not to mention much needed cash—is hetter spent on expanding the business it knows, and calculates that the interest saved in the current year will be greater than the likely profit contribution from Early Learnings. As shareholders are concerned that Fine Art has rid itself of the fastest growing part of its business, its results for the year, which were some £1m more than analysts were expecting, should be some comfort. The company has spent about £0.5m rationalising its existing businesses as a part of a £4m capital expenditure programme in the last year. This should ensure another increase in margins, although not on the same scale as last year, when much of the improvement occurred as Selective Paper was successfully ebsorbed into the company. Future expansion is likely to be concentrated on the retail side where there are plans to start franchising the Gift Tree shops. If tbe company prodnces pre-tax profits of £9m this year, its shares at 91p stand on a p/e of 10½.

Saatchi more than doubled at £15.5m

Saatchi & Saatchi Company, the UK's largest advertising agency, more than dnubled pre-tax profits from £7.48m to £15.51m in the six menths tn March 31, 1985. This was slightly better than last month's £15m estimate, made at the time of the announcement of a £99m rights issue and two U.S. acquisitions.

The company says the flow of new clients and the continued strong real growth in each of the markets in which it operates, mean that Saatchi is well on course tn reach the £38.3m forecast level of profits for the full year. In 1983-84, the pre-tax figure amounted to £18.31m.

Saatchi is optimistic that 1985 will not only produce record pre-tax profits, but also a record growth rate in both taxable figures and earnings per share.

Half-year earnings per 10p share moved ahead from an adjusted 12.23p tn 20.79p. The interim dividend is in effect lifted from 3.33p to 5.29p after allowing far the one-fnr-three scrip issue.

Turnover jumped from £372.42m to £518.3m in the period. Results show continned strength in Saatchi's advertising operations with pre-tax profits up by 29 per cent in the UK division and 63 per cent higher internatinnally, reflecting further margin improvements there.

The figures include a first time contribution from the Hay Gronp with effect from January 1, 1985. At Hay, consulting revenues were 18 per cent ahead of the previous year and margins on revennes improved to 13 per cent (11.5 per cent).

For the rights issue nf 99.47m 6.3 per cent convertible cumulative redeemable preferenee shares, ecceptances were received in respect of 95.7m shares (96.21 per cent). The remaining shares have been sold in the market at an average net price of about 5.15p per share. No payments of less than £2 will be made.

● comment

As should be expected from a company which has made such large calls on its shareholders recently, Saatchi and Saatchi has beaten last month's pre-tax profits forecast and is well placed to exceed the forecast for the year by a similar margin. Moreover, the group is able to refute suggestions that growth is being fuelled by acquisitions alone—the core advertising business has increased turnover by 28 per cent and pre-tax profits by 48 per cent, partly as a result of new accounts won in both the UK and the U.S., and partly by raising margins outside the UK. It is this strength which gives the group the means tn branch nut into new fields such as sales promotion and management consultancy. Clearly the bigger the group gets—it is now the world's fifth largest advertising agency—so the growth rate gets harder to maintain. But the shares, up 25p to 650p, trading on 15 times forecast earnings, are at tbeir lowest premium fnr some time to the big U.S. agency stocks.

RHM over City forecasts with 56% rise to £36.5m

Ranks Hovis McDougall, the food prodncts group and Britain's second biggest bread maker, achieved a 56 per cent increase to £36.5m in first half taxable profits which exceeded the top end of wide ranging City estimates of between £29m and £35m.

The result, compared with last year's £23.3m, was attained against a background of an improving economic climate and generally lower raw material prices, says Sir Peter Reynolds, the chairman.

RHM's shares initially gained 4p yesterday but closed 2p down at 163p, giving a market value of £457m.

The interim dividend is np from 1.6p to 1.84p, which is covered just over four times hy stated earnings per share, pre-extraordinary items, of 8p against 5.9p.

During the six months to March 2, 1985, RHM undertook further rationalisation of its bread side through the phased closure of seven bakeries.

These closures mainly made np extraordinary debits of £5.4m, against £2.7m, which left ettributable profits at £17m compared with 13.8m.

In addition, e £10m modernisation of the Manchester flour mill was completed, almost doubling its capacity to 400 tonnes/24 hours throughput, as part of RHM's continuing investment programme.

The mill is antomated and its production monitored and controlled by programmable logic computers, coupled with closed-circuit television surveillance of milling processes.

Sir Peter says that on the grocery side this year sees the 75th anniversary of the original launch of Bisto gravymaker, one of RHM's most successful grocery products. This range has now been extended.

In time for the peak selling season the One-Cal range of carbonated soft drinks has also been extended hy the addition of new flavours and a new range of fruit crush drinks has been launched.

Success in the U.S. snack food market has led to a £2.5m investment which, says the chairman, more than doubles the output of snack products at the Great Yarmouth factory. The snacks are exported to the U.S. and sold under a number of customers' brand names. Last month they also went into test-market in the UK.

In February RHM announced a joint venture agreement with Chi-Chi's Inc, of Louisville, Kentucky, to establish a chain of Chi-Chi's Mexican restaurants in the UK and an investment for developing under franchise a chain of Wendy hamburger restaurants in the south of England. The first of these is now open at Stevenage.

Sir Peter says that the upturn in sales and profits of the group's American businesses, noted in the 1984 report and acctunts, continued in the first half of 1985 and RHM is looking for suiteble opportunities to make furthar investment in tha U.S. food industry.

The Far East holding company, Cerebos Pacific, which is quoted on the Singapore Stock Exchange, reported an increase in pre-tax profits for the first balf of its financial year, with satisfactory growth in Australia, New Zealand, Thailand and Taiwan. A chain of five Pizza Hut restaurants has been acquired in Singapore.

Total group turnover for the interim period amounted to £649.2m compared with £604.2m for the comparable period and £1.23bn for the 1983-84 year, which generated pre-tax profits of £51.1m.

See Lex

Cakebread Robey

Lower pre-tax profits, at £624,918 in 1984, against the previous year's £711,793 are reported by Cakebread Robey, the builder and timber merchant. Thn final dividend is raised from 2.2p to 2.3p, making a total of 3.1p (3p).

Lower tax charges of £241,200 (£252,099) and no extraordinary items, against e credit of £115,878, left attributable profits et £383,718 (£348,816).

A number of acquisitions were made by the Enfield-based company during the year and turnover rose from £18.67m to £20.42m.

Earnings per 10p share fell from 7.7p in 1983 to 6.4p last year.

Gerrard & National down by 50%

Gerrard & National, the UK's largest discount bouse which bas total assets of £3.76bn, yesterday reported e near 50 per cent fall in profits for the 1984-85 year.

The result, down from £10.12m to £5.15m after tax, minorities and a transfer to inner reserves, follows the warning at halfway that profits showed a shortfall.

Despite this, bowever, sbareholders are set to receive a higher final dividend of 10.2p, which raises the total distribution by 10 per cent to 13.2p for the year to April 5.

"It would be no exaggeration to say that from the viewpoint of exchange rates and interest rates our last financial year was one of the most volatile in the history of this country," says Mr R. G. Gibbs, the chairman.

Base rates rose from 8.5 per cent to 14 per cent before falling back to 13 per cent, which gave a very unfavourable trading background.

"It has been a difficult but most stimulating 12 months in which turnover bas been considerably higher than previously, averaging well over £1bn a day," be says.

This, he adds, has been particularly noticeable in the bill market where G & N's turnover has risen by 40 per cent.

Gerrard lays claim to more than one-third of the total resources of the London discount market compared with one-eighth et the time of its merger in 1969.

Early in 1986 the Bank of England will be dealing direct for the first time with the discount bouses in money market assets and, later on, with the gilt-edged market makers.

"It looks as if the gilt-edged market makers will expand into the discount market rather than the other way round," says Mr Gibbs.

Because of this Gerrard and James Capel, the stockbroker, recently abandoned plans to create a £25m joint venture company to make markets in British government securities.

Gerrard has now applied to the Bank of England in its own name. "We intend to be ective market makers in gilt-edged as a logical extension of our traditional business and consider that it is imperative to have complete control and ownership of this activity," says Mr Gibbs.

In addition, Gerrard intends to continne expanding all its present activities. In February, its interest in Inter Commodities Holding, a London commodity futures broker, was increased from 10 per cent to 56 per cent.

● comment

It does not matter how wary you are, or how large ynur presence in tha market; it is still impossible for e discount bouse to make money in a period when interest rates rise by almost 50 per cent in under three weeks. Even the market leader, Gerrard, does not exactly seem to have prospered from the sterling crisis of last Jannary; the falling value of even a conservatively arranged book was bound to spoil the last quarter of its year. All the same, Gerrard has predictably come through rather better than the most recent clutch of results from smaller bouses might suggest. The declared profit, though halved from the previous year, has been fitted in with the dividend rise in such a way as to allow both inner and outer reserves to increase. Gerrard is convinced that for the present it has as much capital to hand — assuming reasonable retentions in the current year — as it needs to capitalise the risks of its new gilt-edged desk, to say nothing of the associated physical resources. The increasing competitive risks are clear; on a 5.5 per cent yield at 350p so is Gerrard's premium status down Lombard Street.

Caparo raising £10m via rights

Caparo Industries, the engineering, metals and electronics group, expects 1985 to he a year of consolidetion following the 43 per cent jump in pre-tax profits to £2.76m in the year ended December 1984.

The company yesterday also announced plans for e £10.25m rights issue to strengthen its balance sbaet. This is partly to compensate for a write-off of £7.9m following the discovery of the alleged overstatement of profits and stock values hy Fidelity, the consumer electronics company it took over last October.

The company will be bearing the full financing costs of the £14.1m takeover of Fidelity, and of the creation of United Merchant Bar, a joint venture project with British Steel Corporation, to which Caparo is subscribing £1.8m cash. These two companies will make only a small contribution to trading profit this year.

"Beyond 1985 we are confident the group will sbow improved benefits to sbareholders particularly from the major investments made in these two new projects," Mr Swraj Paul, the chairman, says in his annual report.

Caparo's pre-tax profit rose 43 per cent from £1.93m in 1983 to £2.76m in 1984 on sales which rose 32 per cent from £82m to £108m.

Trading profits rose 70 per cent from £1.28m to £2.17m. Earnings per share increased 26 per cent from 3.86p to 4.87p while the dividend is to be increased from 1.5p to 1.65p.

Caparo expects Fidelity to make the group's normal target of at least a 20 per cent return on the acquisition cost following the replscement of four of the five previous executive directors.

Caparo is considering establishing e fectory in India to make consumer electronic products. In the UK it plans to expand further in the area of telecommunications equipment.

United Merchant Bar, Caparo's steel mill venture with BSC, plans to start production in early 1986. It will make e small contribution to Caparo's profits in thet year.

The proposed rights will involve the issue of 10.52m new 8 per cent convertibla cumulative redeemable preference shares of £1 each priced at par.

Two new preference shares will be issued for every nine ordinary shares while five new preference shares will be issued for every nine 8.75 per cent convertible preference shares held.

Caparo Group, Mr Peul's private bolding company with a 75 per cent stake in Caparo Industries, will take its full entitlement of 6.86m new shares and will underwrite the rest of the issue. Brokers are Capel-Cure Myers.

The new shares will be convertible from June 1986 to 1992 at a rate of 20 ordinary shares for every £7 nominal of preference stock. They carry e gross dividend yield of 11.4 per cent at the issue price.

● comment

The market showed e remarkable degree of sang froid in marking Caparo Industries down by only a penny yesterday, to 30p. Granted that its trading results for 1984 were satisfactory enongh—with earnings per share up by a quarter—the real news for shareholders was Caparo's dissatisfaction with the pre-acquisition accounting of its Fidelity subsidiary. Writing off equity of £7.9m to compensate for the alleged discrepancies has left Caparo with an unexpectedly geared balance sheet—hence the rights issue. At least Caparo now feels that it has sufficiently swept thn decks et Fidelity, and can exploit the company's remaining goodwill with retailers. And if other parts of Caparo continoe on their recent trend, there may be some incentive to convert the new preference stock before too long; an 8 per cent coupon should be enough to bring in some of the necessary capital from sources other than the parent (and underwriter).

LADBROKE INDEX
1,012-1,016 (−4)
Based on FT Index
Tel: 01-427 4411

Granville launches third BES fund

Granville and Co, the City-based licensed dealer, yesterday launched its third business expansion scheme fund.

The fund is asking for a maximum of £2m, which will be invested in unqunted companies in chunks of between £50,000 and £400,000. Investments will be managed by e wholly-owned subsidiary, Granville Business Expansion Finace, whicb already handles BES equity worth £3m

Investors in BES funds can claim tax relief on the cost of their shares, provided they do not sell within five years. The third Granville BES fund will close when it is fully subscribed or on July 15, whichever is the earlier.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
A. & C. Bleck	6.5	—	6	9.5	9
British-Borneo	12.5	July 19	10	17.5	15
Caparo Inds	0.9	—	0.85	1.65	1.5
City Site Estates ......int	0.41‡	—	0.34	—	0.68
Cramphorn ......int	1.67	—	1.67*	—	5.17*
B & A Film	3.21	July 12	2.83	4.73	4.2
Fine Art	2.1	July 14	1.9	3.2	3
Gartmore American	1.4	July 23	1.4	2	2
Gerrard & National	10.2	—	9	13.2	12
Greenall Whitley ...int	2.07	July 12	1.93	—	4.46
Lanca	0.38	July 23	0.3¶	0.38	0.3¶
McInerney Props	4	—	4	5	5
Monks Investment	1.3	—	1.3	2.4	2.4
Ranks Hovis ......int	1.84	July 12	1.8	—	4.38
Saatchi & Saatchi ...int	5.29	—	3.33*¶	—	9.03*¶
J. Sainsbury	3.1	July 19	2.55*	4.5	3.75*
Spencer Clark ......int	0.5	July 17	nil	—	0.5
United Friendly	10‡	June 26	8.25	14.6	12.25
Warnford	8	Oct 1	7.5	14.5	13.5

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Excludes edjusted 0.9p in exceptional income. ‖ Adjusted for share split.

David Lascelles looks at Henry Ansbacher's emergency £35m rights issue

The centrepiece of a capital reconstruction

BUT FOR THE timely succour of Pargesa/GBL, there would be very little left of Henry Ansbacher today. The £31.4m loss announced by the small merchant banking group yesterday all but wiped out its £34m capital and left its main shareholder with little choice to underwriting an emergency £35m rights issue.

That Ansbacher has been in a mess has been known for some time. But the results are much worse than expected, and they plainly reflect the determination of the Belgian-Swiss Pargesa/GBL combine to clean the group out once and for all and launch it afresh. Even so, there was e feeling in the City yesterday that M Albert Frere might have to wait a while before he sees e worthwhile return on his unwittingly large investment.

Ansbacher first flagged trouble last January when it decided to pull out of its ill-starred acquisition of Laidlaw Adams and Peck, the Wall Street securities firm, at a loss of $13.6m. Mr Charles Williams (now Lord) resigned as chairman and was succeeded by Mr Richard Fenhalls who had recently left Guinness Mahon.

But trouble was obviously more deep-rooted. According to ths circular to shareholders yesterday, Ansbacher's interim results last September (which showed a pre-tax profit of £1.35m) "may have been overstated" and "there may havs been insufficient reserves in the company available for distribution to cover the dividend."

A board committee consisting of Mr Fenhalls and Mr Claude Vercambre of GBL is investigating and will report back to shareholders if necessary.

But last year, hardly any of the company's varied businesses were making a profit. The merchant bank made a pre-tax loss of £3.5m, mainly because of a high level of provision for doubtful debts (£2.5m) and soaring costs.

Mr Richard Fenhalls, the chairman

In the U.S., the bank's highly successful mergers and acquisition team run by Mr Christopher Shaw (which made the U.S. top 10 in terms of number of deals initiated) was losing money because costs ran out of control. Along with losses on its project finance business there Ansbacher's U.S. activities lost a total of £3.9m last year.

The shipbroking division also sustained its first loss in 15 years: £1.3m, again mainly because of bad debts. And Lazmet, the metal broking subsidiary, lost a further £0.9m. Bad controls within the group led to its dropping a further £850,000 on an ill-judged foreign exchange contact.

P & L ACCOUNT 1984-85	
	£000
Tax	1,600
Loss before tax*	12,950
Net loss	14,550
Minorities	250†
Extraordinaries	16,000†
Attributable loss	30,800
Dividend	560
Retained loss	31,360

* Including the disclosed loss of the merchant bank. † Debit.

The only parts of the group that did make money were tosurance broking (a pre-tax profit of £2.3m) and trust management (£0.4m), scarcely enough to make a difference or affect the impression that Ansbacher needed a shake-up.

The new management decided to undertake s drastic restructuring and make the maximum provision against loss. This involved writing off substantial amounts of goodwill that had been carried in ths balance sheet. Lazmet and the project finance business have been sold, the U.S., M & A business has been pared back, and the group's staff reduced by 25 to 160.

The £35m rights issue is the centrepiece of the capital restructuring which now begins. But Pargesa will also capitalise a £14.5m loan which, together with the goodwill still on the balance sheet, will set Ansbacher up with nearly £53m in shareholders' funds, and raise Pargesa share of the equity from 29 per cent to at least 51 per cent. Within the group, the merchant bank itself will havs capital of about £20m, underpinning e balance sheet of some £90m. So Ansbacher will not only end up bigger, but with quite a lot of room for growth.

Not surprisingly after this traumatic upheaval, though, management is being rather coy about the prospects. The circular makes no promises about either dividends or profits (though the rights issue has been priced in ths belief that the group can make £5m to £7m after tax).

The company will focus on two core businesses: merchant banking, and insurance and shipbroking. But clearly much is expected from the link with Pargesa/GBL, which is st the centre of a complex web of holdings in financial institutions around the world, including the Drexel Burnham Lambert group on Wall Street, and Banqus Bruxelles Lambert in Belgium.

According to Mr Vercambre, Pergesa/GBL is "very liquid" st the moment, and has a policy of acquiring a majority stake in companies. He sees Ansbacher as the group's flagship in the UK and a member of its confederation of banks, and says that Pargess's readiness to underwrite the £35m is a sign of the confidence it has in Ansbacher's future.

See Lex

BOARD MEETINGS

The following companies have notified dates of board meeting to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are oot available as to whether the dividends are interims or finals and the sub-divisions shown below, are based mainly on last year's timetable.

TODAY

Interims: Avon Rubber, Bass, Guinness Peat, MMT Computing, Management Agency and Music, Redfearn National Glass, Scottish Investment Trust, John Williams of Cardiff.

Finals: Allied Irish Banks, Buckleys Brewery, Chamberlain and Hill, Channel Tunnel Investments, Clarke Nicholls and Coombs, Jersey General Investment Trust, Kingsley and Forester, Parkland Textile, Rolfe and Nolan Computer Services, Whitbread, York Mount.

FUTURE DATES

Interims:	
Associated Fisheries	May 29
Hewtin	May 30
Finals:	
British and Commonwealth Shipping	May 23
Ferguson Industrial	May 28
Hill Samuel	May 31
Hobson	May 24
Leeds Group	May 29
Norcros	June 4
Remble Rubber	May 23

Spencer Clark recovery continues

FOLLOWING its return to profits in 1983-84 the improvement in the results of Spencer Clark Metal Industries has continued. In the half-year to the end of March 1985, ths Sheffield-based company reports that taxable profits were at a "significantly more acceptable lsvel," having risen from £43,000 to £265,000.

The results were achieved on ths back of an increase in turnover of 44 per cent, up from £4.37m in ths first half of last year to £6.29m.

Following last year's return to the dividend list with a final of 0.5p, it has been decided to pay an interim this year of 0.5p.

The directors say that the present order position augurs well for the full-year results.

All the group's activities were profitable. The fast-growing George Clark company accounts for a quarter of group business and Hobson Houghton and Company, which was bought from Neepsend Group in November last year, has already been turned round and is now makiog a rewarding contribution.

Although the directors say that financial stringency is still esential they bave recommended a modest return to the interim dividend list.

Operating profit was almost 150 per cent higher at £403,000, compared with last year's first-half figure of £162,000. Interest payable rose from £119,000 to £138,000. Tax was £4,000 (nil).

Forgemasters future brighter as JFB cuts losses to £1.2m

WITH A further improvement in the performance of Sheffield Forgemasters, the loss-making joint venture formed between Johnson and Firth Brown and the British Steel Corporation in 1982, the private patrner in the enterprise has once again cut its losses at the interim stage.

The outcome for the period to March 31 1985 shows a redaction of £1.33m to pre-tax losses of £1.21m for Sheffield-based JFB, with the Forgemasters deficit down from £3.45m to £2.65m.

Mr J. M. Clay, the group chairman, says that the results confirm the recovery trend predicted in last year's report. He adds that orders at Forgemasters are now running st a substantially higher level, but says that there will be e delay before this can be translated into further reduced losses.

Stripping out the joint venture losses, JFB—a specialist sngineer—improved interim profits from £0.91m to £1.43m. The improvement reflects the more favourable business climate, says Mr Clay, which in particular affected the aerospace companies.

Turnover from continuing operations was up from £48.88m to £57.94m.

Gross profit came out at £10.72m, against £9.76m, from which other operating sxpenses took £7.69m (£7.09m) and interest charges accounted for £1.18m (£1.92m). After tax at £402,000 (£238,000) losses per share are shown at 1.8p

The directors are still unable to recommend any resumption of the dividend on the ordinary shares—last paid in 1981—or payment of ths preference arreas.

● **comment**

No increase in profits from Johnson and Firth Brown could have been large enough to make the market view the shares with enthusiasm. There is only one question that shareholders want answered: when is the company going to get rid of the terrible burden of Sheffield Forgemasters, which regularly transforms otherwise encouraging profits into losses? It was rumoured that such a flotation was imminent, and optimists may have been disheartened that there was no hint of e disposal in the statement. Forgemasters dominates JFB's balance sheet, and getting rid of it is not going to be easy, but if ths company does manage to reach an agreement soon (something may be sorted out by the end of the year) the shares, down 2p to 18½p have a lot going for them. JFB has been making steady progress, and on its own could be an attractive takeover target. If no agreement is reached, the very best that can be hoped for is that a continuing improvement in the second half might just about offset JFB's share of Forgemaster's losses.

P-E International plans public flotation next year

BY STEFAN WAGSTYL

P-E International, one of the UK's oldest management consultancies, is planning a public flotation next year.

The company, founded in 1934, has appointed stockbroker Hoare Govett to advise on whether it should seek a listing or join the Unlisted Securities Market. Its market capitalisation is likely to be about £10m.

Established originally as an engineering consultancy, P-E now offers a wide range of consulting services, divided equally between computer-related services and general consultancy in management, manufacturing and in information systems.

The bulk of its clients are still drawn from manufacturing industry, including engineering, chemicals, food and oil. About a quarter of the company's work comes from overseas.

Mr. Hugh Lang, the chairman and chief executive who has been with P-E for 23 years, said: "We started off with engineers, now we have got accountants and people in marketing and everything else and we can put together a team to solve virtually any problem you can think of."

P-E celebrated its golden jubilee last year with increased pre-tax profits of £691,000, up from £145,000 in 1983, generated from fees of £13.6m (£10.1m). Another strong profits increase is expected for 1985.

The company was founded by Mr Maurice Lubbock, an engineer whose family later sold the business to a trust set up on behalf of the employees.

P-E's pension fund is now the largest shareholder with about 30 per cent of the equity and the rest is held mainly by the staff, who number about 300.

Mr Laing said that the main reason for the flotation was to create a proper market in the company's shares, and to ensure that the shares were realistically valued.

Shareholders would be invited to contribute shares for sale in the flotation. There were no plans to raise fresh capital for P-E by the sale of additional new equity.

British-Borneo improves

British-Borneo Petroleum Syndicate has announced improved pre-tax profits of £1.79m for the year to end-March 1985, against £1.43m previously. At the interim stage, profits of £902,228 (£855,478) had been achieved.

The directors are recommending an increased 12.5p (10p) final, making a total of 17.5p (15p). Net earnings are shown et 25.7p (21.6p) per 10p share.

Profit from dealing activities amounted to £665,000 (£703,000), with short-term interest received and other income adding £175,000 (£130,000).

Investment income totalled £1.25m (£1.05m), and income from U.S. oil and gas producing properties £100,000 (£131,000). There was e £94,000 (£5,000) profit on currency conversions.

UK COMPANY NEWS

B & A Film over £0.5m and progress continues

A higher taxable profit of £511,561, against £434,051, was achieved in 1984 by British & American Film Holdings and the chairman, Sir John Woolf, says that steady progress is continuing in the current year.

The final dividend is up from 2.825p to 3.213p, which lifts the total payment to 4.725p, against 4.2p.

The taxable result was made up of the holding company £305,054 (£300,721) and subsidiaries' contributions of £206,507 (£133,330). Sir John says the market value of B & A's listed investments at the year-end increased to £8.27m (£6.1m) and the directors' valuation of unlisted investments was £107,804 (£558,784).

Part of the i ncrease in the value of listed investments resulted from the Stock Exchange listing during the year of First Leisure Corporation; this holding has been transferred to B & A's listed portfolio.

The chairman says that the subsidiaries' contribution was mostly the result of overseas earnings of "golden oldies." These past films stand in the balance sheet at a nil valuation and have not been included in B & A's year-end net asset value, excluding film rights, of 287.2p (226.3p) per 5p stock unit/share.

Tax for the year amounted to £135,951 (£129,806) and there were extraordinary credits of £67,725 (£86,792).

Interest costs hold back Greenall Whitley growth

THE BREWING and hotel group Greenall Whitley has traded well in the half year ended March 29 1985. The operating profit showed an advance of 26 per cent to nearly £15m but higher interest charges took their toll on the trading balance, which rose only 5.5 per cent to £10.56m.

However, the inclusion of surplus on disposal of assets gives a pre-tax profit of £11.44m, an increase of 8.64 per cent over the comparable £10.53m.

The increase in interest charges, from £2.13m to £4.68m, reflects higher borrowings for recent acquisitions, particularly De Vere Hotels and Cellar Five off licences, the chairman Mr Christopher Hatton explains.

He says the profits from De Vere are coming through faster than first anticipated and occupancy levels have improved in all the group's hotels. Following the purchase of De Vere, there is now a more seasonal bias towards larger profits being earned in the summer.

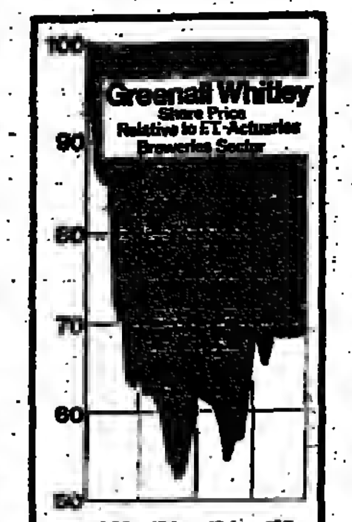
Breweries performed well in spite of a disappointing sales trend, partly the result of the bad weather in the early months of this year. Further useful pub acquisitions have been made outside the traditional trading area, Mr Hatton says.

The wines, spirits and soft drinks subsidiaries traded well. The response of the tied trade to the introduction of the full range of Symonds' cider in March "has been excellent."

Major extensions to the Lord Cromwell Hotel in Connecticut, U.S., opened some three months late and, in view of the size of this 300-bedroom hotel relative to the rest of the U.S. business, this factor had the effect of reducing the profits of Treadway Inns.

In March the company announced an ambitious rebuilding and improvement programme at the Grand Hotel, Brighton, partly financed by the insurance claim.

Mr Hatton remains confident that results of the broader based group for the year will prove satisfactory. In the year ended September 28 1985 the group made £28m pre-tax.



Earnings for the first half are 6.35p (5.54p) per share on the Limited Voting capital and 1.27p (1.11p) on the A ordinary shares. The interim dividend on the Limited Voting is 2.0726p net against 1.928p, while the A are entitled to one-fifth of that.

Turnover for the half year rose from £128.84m to £168.37m. Surplus on disposal of properties came to £884,000 (£532,000). Tax takes £3.7m (£4m) and the preference dividend £194,000 again, to leave the available profit for the ordinary at £7.55m (6.34m).

● comment

The 9p fall to 175p in Greenall's share price seems a harsh reaction to interim profits which were just a shade below most City expectations, especially as the group remains on course for around £31m pre-tax for the year before property disposals. The brewing activities have understandably had a lean time in the winter months with the decline in volume quite marked in the second quarter. But that was to be expected, it was the delay in refurbishing The Lord Cromwell hotel in the U.S. which slowed up the profits of Treadway and caught the analysts' forecasts slightly off centre. Yet if the U.S. hotel profits proved slightly disappointing Greenall speaks glowingly of its De Vere purchase last year which doubled its domestic hotel interests. The business is obviously seasonal but the acquisition should more than cover its funding costs this year even though the purchase was covered by a large chunk of variable rate debt. Capital gearing is still around 30 per cent with about one-third of borrowings at a fixed price. After yesterday's dip in the price the prospective p/e drops to under 10 which looks solid value in the sector.

Property trading boosts City Site

PROFITS OF the Glasgow-based property investor, City Site Estates, quadrupled in the half-year to the end of March 1985. Rental income rose by almost 10 per cent, but the bulk of the improvement came from the sale of several properties, which realised substantially more than their cost price.

Interim payment is being increased by some 20 per cent from 0.34p to 0.41p. The company intends paying the same amount for the final.

Pre-tax profit was £504,000 (£120,000), with reotal income rising from £199,000 to £218,000. Tax was higher at £198,000 (£36,000) earnings per share were 7.69p (1.63p), a rise of 372 per cent.

The company is continuing to search for suitable acquisitions and expects to be able to announce its first purchase in England in the near future. The board is looking forward with confidence to announcing the full-year's results.

Mr Louis Goodman, managing director, said yesterkday that most of the profit had been made on properties which the company had bought about 18 months ago specifically for trading. He hoped to be able to maintain profits in the future.

The shares, traded on the USM gained 11p to close at 91p.

United Friendly slips

PROFITS before tax at USM-quoted United Friendly Insurance in the 1984 year slipped from £7.4m to £6.8m, but the directors are to recommend a final dividend 1.75p higher at 10p. This will make a total of 14.6p per share for the year, against 12.25p.

They report that during the latter part of the year non-life claims payments continued at a higher level than expected, especially on larger claims outstanding from previous years, and they have reviewed and increased these provisions accordingly.

This has reduced the underwriting profit for the year under review, which, they say, would otherwise have been at a similar level to last time.

They are confident that the provisions are now sufficient, and say that underwriting results continue to be satisfactory. They expect a favourable profit for the current year.

Tax was slightly down at £4.4m against £4.8m, after which earnings per share are stated to be 28.2p (31.1p).

Woodchester Investments 80% ahead

Woodchester Investments, which leases and rents office equipment, achieved pre-tax profits of I£901,000 for the year to end-March 1985, compared with £501,000, an 80 per cent increase.

Gross revenue for this Dublin-based company, which acquired a full listing in December 1984, was ahead by £1.74m at £3.63m.

The directors have increased the net dividend for the year to 6.5p (5p), and they are proposing a one-for-one scrip issue.

Stated earnings per ordinary share are shown higher at 26.12p (16.7p) basic, and fully diluted at 21.97p (16.21p) per ordinary and "A" ordinary share.

The results include the proportion of profits from the subsidiaries, Acorn Finance and Wheels Cork attributable to the period since their acquisition.

UK COMPANY NEWS

Howard advances 79% at six months

The Howard Group, the holding company of two Lloyd's reinsurance brokers, which came to the USM last month, yesterday reported first-half pre-tax profits up 79 per cent and an expansion into the U.S. property insurance market.

Howard made pre-tax profits of £1.32m in the six months to March 31, against £736,000 when 1984 figures are adjusted for changes in the group's structure. Net broking income rose 37 per cent to £1.84m (£1.34m), while other operating income produced £669,000 (£534,000). Expenses totalled £1.19m (£1.14m). There is a £599,000 tax charge (£372,000).

Earnings per share are 5.7p (2.7p). An interim dividend of 4.3p per share was paid prior to the placing.

Mr Ron Peet, Howard's chairman, pointed out that the first half was traditionally less profitable than the second. "The board fully expects the profit trend to continue to the second half and be not less than the forecast pre-tax profits of £2.9m."

As envisaged in the placing prospectus, Howard has recruited two U.S. property insurance experts. The group's subsidiary, Anthony Popple, already specialises in reinsurance and direct insurance cover for U.S. risks, principally in general casualty.

Howard shares, placed at a price of 129p, closed last night unchanged at 198p.

Curzon boosts Aspinall profit to £6.9m midway

Aspinall Holdings, the USM quoted casino operator, lifted pre-tax profits by 86 per cent from £3.71m to £6.88m for the half year to March 31 1985, helped by a £0.7m favourable turnround in investment contribution. Earnings per 10p share more than doubled from 3.6p to 7.8p.

For the six months period, the Drop—which is the value of gaming chips purchased and the best casino business volume indicator—rose to £67.2m, a volume gain of 160 per cent over the £25.9m achieved by Aspinall's Club at the Knightsbridge premises during the comparable period of the previous year.

In addition, the luck factor *showed an improvement to 22* per cent, compared to 21.4 per cent for the comparable period last year and 19.6 per cent for the full year ended September 30 1984.

The combination of these two factors resulted in a 166 per cent increase in the gross gaming win achieved (included in turnover) from £5.5m to £14.8m. Turnover for the period amounted to £15.18m (£5.72m).

The first half saw the completion of the first full year of operations of the *Aspinall* Curzon at the extensively restored premises in Mayfair. The results have exceeded expectations. The Drop at the Aspinall Curzon amounted to £137.3m and the gross gaming win, at 20.4 per cent, to £28.1m.

Operating profits increased by 56 per cent from £3.65m to £5.7m. Interest receivable and similar income was up from £0.61m to £1.12m, while interest payable was *also* higher, at £0.49m (£0.42m).

Trading profits climbed by 65 per cent from £3.83m to £6.33m, before investment profits of £0.55m (£0.12m losses). Tax charge was £2.83m (£1.85m) leaving a net balance well ahead from £1.85m to £4.05m.

In line with the policy envisaged at the time of the company's flotation in November 1983 there is no interim dividend. But as in 1983-84 (3p net) the directors intend to recommend a single annual payment for the current year, after the full year results are known.

The directors say that in the Australian joint venture, trading since October 1 1984 has been satisfactory, with increases *being recorded* in the Drop at both casinos over that of the previous operator. These increases have not as yet flowed through to earnings because of the reorganisation of the operations being undertaken following the change of operator.

It would be inappropriate at this stage to reflect in the group's results its share of the results of the Australian operation to date, in view of the contractural arrangements with the other interested parties, the *directors add*.

The group's interest in US$56m nominal of U.S. treasury notes has been increased to a total of $70m nominal and as at May 14 1985 the profit accruing to this increased holding had risen to £3.5m, none of which is reflected in the results.

● comment

A rise in the unlucky factor plus a full contribution from the new Curzon club have enabled Aspinall Holdings to turn in trading profits just above the more sober expectations. The results cover only the returns from the 11 table club (twice the size of its predecessor, hence the rise in the "*drop*," the amount spent on chips) plus the income from investments made out of the businesses' cash flow. No profit has been realised on the $70m U.S. Treasury Note holding—although there is a potential £3.5m—and perhaps it is this that has led the market to down rate the shares by 11p to 160p. The $10m invested with Sir James Goldsmith's "situation fund" was not placed until the end of the reporting period. The costs of running the new club (and the *additional gaming duty payable* on the increased gross winnings) have risen rather sharply, from £2.1m to £9.5m and this burden must hold profits back for the year. Allowing only modestly for gains from the notes and the fund, pre-tax profits for the year are forecast by analysts to reach £15m, the prospective multiple is 9½ (41 per cent tax charge). This is about right for a quality gaming house with any premium over this depending on the results of the investments, surely worth a point or two even on a conservative basis.

McInerney holds 5p despite profits fall

A MUCH reduced contribution from its associated companies has hit the pre-tax profit of McInerney Properties in 1984, and it has fallen from I£3.52m to I£3.03m.

The group is engaged in construction and civil engineering. It is based in Dublin and also has extensive interests in the UK and Middle East. The associated companies accounted for £1.48m (£2.06m) of the profit and the group £1.55m (£1.46m). Included in the pre-tax balance this time was a £395,000 exceptional profit.

Overall, turnover moved up from £66.31m to £72.79m. Ireland accounted for £28m (£30.19m), with private housing £5.43m (£5.46m), housing contracts £15.36m (£16.4m), and other contracts and manufacturing £7.22m (£8.33m); overseas contributed £29.12m (£20.97m), with private housing £19.9m (£14.95m), housing contracts £4.77m (£4.97m), and other contracts and manufacturing £4.43m (£1.05m); associates accounted for £15.68m (£15.17m) split as to housing contracts £3.24m (£1.21m) and other contracts and manufacturing £12.44m (£13.94m).

After tax £151,000 (credit £301,000) and minorities £41,000 (£27,000) the net attributable profit comes to £2.84m (£3.8m), from which is deducted this time an extraordinary debit of £958,000. The dividend is again 5p net per share, the final being 4p.

COMPANY NEWS IN BRIEF

Wold are coming to the USM via an offer for sale and not a placing as stated in yesterday's edition. At the offer price the shares are on a p/e of 12.

* * *

The interest rate for this week's *issue* of *local* authority bonds is 12¼ per cent, down 1/16 of a percentage point from last week, and compares with 10¼ per cent a year ago. The bonds are issued at par and are redeemable on May 28 1986.

A full list of issues will be published in tomorrow's edition.

* * *

F. H. Lloyd Holdings has acquired a majority stake in a wellhead equipment producer based in Houston, Texas, for $1.06m (£0.82m).

Lloyd will own 80 per cent of the Texas corporation it has formed with Mr Matt Harwell, who will own 20 per cent and be its chairman. The company will in the first instance acquire the name and main *operating assets* of Seaboard Wellhead Control (SWC), a *subsidiary of the Seaboard* Pipe and Equipment Group, which has been operating under Chapter 11 of the U.S. *bankruptcy* code.

* * *

The bid by Berkeley Exploration and Production for Anvil Petroleum has been declared unconditional. It was announced *yesterday that acceptances had* been received in respect of 82.2 per cent of Anvil's share capital, of which 2.2 per cent had accepted the cash alternative.

* * *

The net asset value per 25p share of Gartmore American Securities continued to grow in the year to end-March 1985, *rising from* 122.6p to 147p.

The final dividend has been maintained at 1.4p, making a total of 2p (same).

Gross revenue was up from £0.96m to £1.09m, but pre-tax revenue fell from £748,837 to £605,927. *Lower tax changes of* £209,812 (£278,709) left net *revenue £84,000 lower* at *£396,115* against the previous year's £470,128.

* * *

Warnford Investments increased pre-tax profits from £3.72m to £4.21m for the year to December 25 1984, on turnover ahead by £524,000 at £5.5m.

The directors of this property investment group are proposing a final 8p (7.5p) dividend, lifting the total to 14.5p (13.5p). Stated earnings per 20p share are shown as 23.16p (19.48p).

The amount transferred to reserves rose from £83,000 to £227,000.

* * *

Cramphorn, the USM quoted garden and pet supplies distributor, has turned in a loss of £29,000 for the 26 weeks to January 5 1985, against a comparable £84,000 profit.

The interim dividend is in *effect held at 1.687p*, with *losses* per share stated at 2p (earnings *3.72p*). *There was* no *tax charge* for the period (£30,000).

Turnover rose slightly from £5.54m to £5.64m.

* * *

Four directors and a former director of Telemetrix, the electronics designer and manufacturer, have between them sold 2.95m shares in the company—*about* 15 per cent of *the equity*—at 334½p a share, raising £9.8m. A company spokesman said the disposals were in line with an agreement on [illegible] sales made when the company was floated in [illegible].

* * *

Higher interest charges and an exceptional bad debt have led to a *£50,000* shortfall to *£312,000* in the pre-tax profit of book publisher A. & C. Black in 1984.

The directors believe the overall prospects are encouraging and are lifting the dividend from 9p to 9.5p net, with a final of *6.5p*.

Turnover rose from £3.22m to *£4.73m and trading* profit hit a record £462,000, against £372,000. However, net interest charges were up to *£110,000 (£7,000)* mainly as a result of funding acquisitions, and there was an exceptional £40,000 bad debt when a customer went into liquidation.

After tax £81,000 (£110,000) the net earnings are shown at 17.9p (24.8p).

* * *

Mr Brian Reynolds, chairman of MicroFocus and Mr Paul O'Grady, a director, each bought 30,000 *shares* in the company last Friday, the day after MicroFocus' share price fell by more than 50 per cent on the announcement of a profits slump. Mr Reynolds now holds 2,573,538 shares (21.1 per cent) and Mr O'Grady 1,370,015 (11.2 per cent). Mr Stewart Lang, a substantial shareholder, bought 10,000 shares on the same day, *taking his share of* the equity to 5.5 per cent.

UK COMPANY NEWS

Fisons to spend £14m on Italian and U.S. buys

BY TONY JACKSON

Fisons, the UK pharmaceutical coocern, is to spend a total of £14m oo two overseas ecquisitions—Carlo Erba Strumentazione of Italy and Austin Biological Company of the U.S.

The acquisition of Carlo Erba is to cost £12.5m. The company, being acquired from Farmitalia Carlo Erba, makes instruments for scientific analysis, specialising in the field of gas chromatography. Sales in Italy, West Germany, the UK and the U.S. total £20m.

The second purchase, Austin Biological, is to cost U.S.$2m (£1.6m). The company, described as a supplier of micro-biology products, is to be merged with Fison subsidiary Curtin Matheson Scientific in the U.S. Curtin Matheson is primarily a distributor of scientific equipmant, and Fisons has acquired a series of manufacturing companies whose products can be put through the Curtin sales network.

It was also announced yesterday that Fisons is shortly to seek official registretion for its new respiratory drug, Nedocromil, a compound for the treatment of asthma and other respiratory diseases.

Fisons is a world leader in the treatment of allergy-induced respiratory diseases, and its anti-asthma drug disodium cromoglycate—sold under the brand name Intal—is the leading prescription drug for asthma prevention.

The chief drawback to Intal has been the fsct that it can only be applied by inhalants or nasal sprays. Attempts to produce an oral form of the drug, under the name Proxicromil, ended in failure several years ago. Although the company would not confirm the fact yesterday, it is believed that Nedocromil, which is chemically distinct from disodium cromoglycate, will be taken in oral form.

It is understood that the new drug should come to the market late in 1986. Registration is being sought in the first instance in certain European territories, said Fisons.

At yesterday's annual meeting Fisons chairman, Mr John Kerridge, said that the company's expectation of above-average growth had been encouraged by trading in the first few months of 1985. He took issue, bowever, with recent Government measures affecting the pharmaceutical industry.

"The location of future research investment has to be viewed against a background of considerable discouragement by the Government," he said. "Fisons will deploy its resources internationally, and it is regrettable that our bome base in the UK is made to be so unattractive by ill-conceived Government actions."

Mr John Kerridge, chairman of Fisons

Burmah rejects new Heron approach

By Lionel Barber

Burmah Oil, currently valued by the stock market at more than £370m, has rejected a second bid approach from Heron International, Mr Gerald Ronson's privately-owned property, petrol station and insurance group.

Burmah yesterday disclosed that Mr Ronson had met Mr John Maltby, Burmah's chairman, last Sunday at Mr Ronson's London office.

It is understood that Mr Ronson sought tha agreement of the Burmah board for a takeover bid but was rebuffed. No formal offer was made, though figures were discussed.

Burmah repeated its view, publicised last week in a six-paragraph statement, that it could not see any benefit in an amalgamation with Heron.

Mr Maltby said yesterday that there were no plans for a further meeting with Mr Ronson. Ha described last Sunday's meeting as "amicable."

Herold holds around 4 per cent of Burmah, but Mr Ronson is nnderstood to hava told Mr Maltby that he has neither bought nor sold any further Burmah shares and that he intends to remain a shareholder in the group.

Burmah, wbich nearly collapsed in tha wake of the 1974 oil crisis, last month reported pre-tax profits of £70m, np from £65m last year. Most of the rise came from highly profitable Castrol oils business, widely regarded as the most desirable part of the Burmah group.

Heron International, the holding group for Mr Ronson's interests, made pre-tax profits of £26m on turnover of £888m in the year ended March 1984. Mr Ronson was unavailable for comment last night.

MINING NEWS

CRA unveils £3.8m survival plan for its Cobar mine

BY GEORGE MILLING-STANLEY

THE FUTURE of the Cobar base metal mine in New South Wales, Australia, seems assured with yesterday's announcement from CRA, the Australian arm of the Rio Tinto-Zinc Group, of a A$7m (£3.8m) investment programme to develop the mine's lower levels.

CRA said yesterday that it had entered into arrangements with the New South Wales Government which, together with agreements made previously with Cobar's workforce, would result in the satisfactory implementation of the survival plan.

The company warned recently that it would be forced to close Cobar after accumulating losses of A$35m, putting 280 jobs at risk, unless work practices were changed and the state railways redneced freight charges.

CRA declined to be more specific yesterday about its arrangements with the state authorities, or to comment on whether these involved any reduction in rail charges, saying only that more efficient loading and unloading of rail cars is planned.

The workforce agreed earlier this month to major changes in working practices and to new procedures for the resolution of disputes. These changes will permit both the mine and concentrator to be operated continuously, and are expected to lead to significantly higher output.

Annual production is expected to rise in the first instance to some 850,000 tonnes of ore, and CRA plans a further rise to about 1m tonnes within two years. This compares with last year's rate of 650,000 tonnes of ore, which produced 38,000 tonnes of copper, 27,000 tonnes of zinc and 10,000 tonnes of lead, all contained in concentrates.

The Cobar mine had been at best a marginal venture for some years, and the development of tha lower-level orebody had become crucial as there is only enough ore remaining in the upper levels for a few weeks' operation.

MINING NEWS IN BRIEF

A copper mine and processing plant in the Philippines, formerly owned by the now-defunct Marinduque Mining and Industrial Corporation, are to be re-opened soon, reports Leo Gonzaga in Manila. The operation was closed down two years ago.

The newly-formed Maricalum Mining Corporation, which has succeeded Marindue as owner of the property, said that Japan's Marubeni Corporation is to provide a cash advance of U.S.$12m)£9.4m) as working capital, on concessionary terms and without any guarantee from the Philippines Government.

Marubeni will be repaid in the form of deliveries of copper concentrates over the next five years, with Maricalum retaining the option to suspend deliveries at times of low copper prices.

* * *

Production from South Africa's gold mining industry fell slightly in April, according to the figures released by the country's Chamber of Mines. Last month's total was 1,746,201 ounces, which compares with the March figure of 1,851,369 oz and the total for April last year of 1,813,001 oz.

The latest figure brings the cumulative total for the first four months of 1985 to 7,269,131 oz, still ahead of the 7,206,395 oz produced at the same stage of last year.

* * *

Freeport-McMoRan of the U.S. plans to raise at least $20m after taxes through a public offering of 4m shares, or 10 per cent of its wholly-owned subsidiary Freeport-McMoRan Gold.

The funds raised by the offer, which is expected to be made at e price between $10 and $13 per share, will be used primarily to reduce the parent company's long-term debt, with the remainder earmarked for the subsidiary's general corporate purposes.

Oyez trading growth continues

BY LIONEL BARBER

THE Solicitors' Law Stationery Society, facing a £4m shut-out bid from Mr Robert Maxwell's office and schools supply group, Hollis Bros & ESA, yesterday said present trading was better than last year.

Solicitors', which trades under the name Oyez and which has reluctantly endorsed the bid, said turnover for the four months to the end of last April was ahead of last year's equivalent figures, which it described as "most encouraging."

It said also that it was to reduce payments to tha company's pension scheme over the next three years. Actuaries bad advised that this would avoid over-funding. Savings ara expected to amount to about £1.5m.

Under the terms of the bid, Solicitors' shareholders can either acept a one-for-two share offer from Hollis or a 35p cash offer from Pergamon Pres, another of Mr Maxwell's companies. The Hollis share offer values each Solicitors' sbare at a little more than 35p and the company at £4m.

Pergamon already controls about 75 per cent of Solicitors' sbares, having acquired the 50.2 per cent stake beld by Thomson Organisation three weeks ago.

Solicitors' said that unless there was a higher bid which Pergamon was prepared to acept, shareholders sbould accept either offer. Those willing to be minority shareholders in a company controlled by Pergamon sbould accept the Hollis share offer; those unwilling sbould accept the Pergamon cash offer.

Dee sells its Booker stake

THE SHADOW cast by supermarkets group Dee Corporation over Booker McConnell was finally lifted yesterday by Dee's £44.7m sale of its 13.8 per cent bolding in the food distribution, bealth and agricultural products group.

Dee sold a quarter of its 20 per cent stake in Booker before launching a £357m bid in February—a tactic which surprised the City. An earlier bid had been referred to the Monopolies Commission last June.

When Dee's bid failed in April with acceptances from only 16.7 per cent of Booker's equity, it announced that it would dispose of the entire holding and sold 2 per cent.

All the remaining 17.52m shares were sold through the market yesterday to a broad range of investing institutions at 255p. The highest price Dee had paid was 191p.

Bibby ahead in first quarter

J. Bibby & Sons, the agricultural and industrial products group acquired for £274m last October by Barlow Rand, lifted pre-tax profits by 44.5 per cent to £6.86m in the three months to March 30 1985, compared with £4.75m for the same period last year.

The board bas decided to change the company's financial year-end to September 28, so as to conform with Barlow Rand, which is South Africa's largest industrial company.

Bibby's sales rose by some 50 per cent in the 13 weeks to £104.08m (£69.5m). Attributable profits, after tax of £2.74m (£1.87m), were ahead from £2.86m to £4.1m.

After allowing for higher rates of tax, earnings per share for the quarter increased from 3.15p to 3.84p—the figures bave been adjusted for the recent £28m rights issue.

Shareholders will receive an interim dividend of 1p per share based on the three months results. This represents an increase of 17.65 per cent, when compared with an equivalent dividend adjusted for the difference in period reported this time. A 1.7p dividend was paid in respect of the first half of 1984.

Retiring chairman, Sir Leslie Young, said be was confideot that the company would again achieve a good performance for the year as a wbole.

He added that substantially higher interest charges of £978,000 (£288,000) in the quarter, reflected the active acquisition policy to which the company was commited, together with high interest rates.

Because the major proportion of the rights proceeds were not received until the end of March, the resulting interest benefit did not materially affect profits for tha period.

The industrial division contributed trading profits of £2.41m (£2.11m), the agricultural side made £3.03m (£2.87m) and the distribution operation added £2.15m (nil).

ATC to lift dividends

BY MARTIN DICKSON

Allied Textile Companies, which is fighting a £44m takeover bid from London & Midland Industrials, said yesterday that it intended to increase dividend payments this year by about 75 per cent over 1984's distribution.

The statemeot was made in a letter to sbareholders detailing ATC's proposed acquisition of the unquoted Mayfield specialised textiles group—a deal conditional on LMI's bid failing.

ATC, wbich reported pre-tax profits up 42 per cent to £4.17m in the year to last September, said it was confident pre-tax profits for the current year would show further increases from both textile and financial activities.

The directors intended to pay a net dividend of 12.5p per share for the current year, an increase of about 75 per cent taking into account the recent one-for-10 scrip issue.

LMI has extended its all-paper offer until this Friday after picking up 0.117 per cent of shares by the first closing date. LMI shares closed last night at 181p, up 2p on the day, which places a value of 471p on each ATC share. ATC closed 3p down at 495p.

COMPANY NEWS IN BRIEF

Cifer, the microcomputer and terminal manufacturer which has just undergone its second reorganisation in less than a year, said yesterday that the current order book was "very satisfactory." The interim figures would show the expected loss as a result of the restructuring but in the last month of the first half a near break even was achieved on trading and the improvement is contiouing.

* * *

The directors of Blackwood Hodge (Canada) report a continuing improvement for the first quarter ended March 31 1985.

It is not unusual for the company to incur a loss in that period. Tbis it has done, but at a reduced rate of C$212,000, compared with $368,000. There is no tax charge and the loss is equal to 9 cents (15 cents) per share.

Sales and rentals for the period rose to $20.93m ($19.75m) but the profit before interest charges fell to $609,000 ($969,000). The company is controlled by the UK based earthmoving and construction equipment group.

* * *

In response to the 1.33m ordinary shares offered by Nationwide Leisure by way of a rights issue, some 946,051, accounting for 71 per cent, were taken up by 3 pm on May 17. The balance has been sold in the market.

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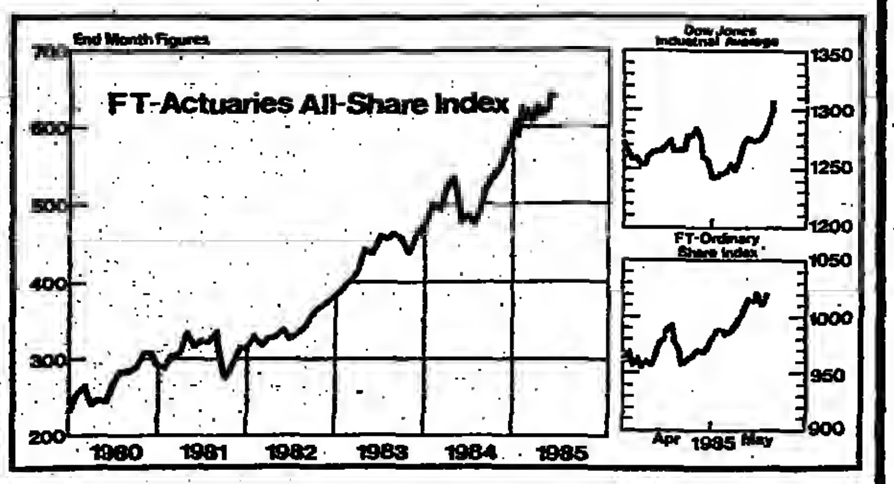
KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	May 21	Previous	Year ago
DJ Industrials	1,309.70	1,304.88	1,125.31
DJ Transport	626.22	626.99	470.47
DJ Utilities	163.57	164.70	125.82
S&P Composite	189.64	189.72	154.73
LONDON			
FT Ord	1,020.2	1,016.0	856.3
FT-SE 100	1,334.1	1,330.8	1,108.7
FT-A All-share	641.92	639.68	511.07
FT-A 500	703.90	700.92	559.90
FT Gold mines	481.5	489.5	655.2
FT-A Long gilt	10.74	10.73	10.57
TOKYO			
Nikkei-Dow	12,650.18	12,559.10	10,165.00
Tokyo SE	991.22	986.07	798.48
AUSTRALIA			
All Ord.	898.0	904.6	714.7
Metals & Mins.	*574.1*	*583.8*	*473.1*
AUSTRIA			
Credit Aktien	95.09	94.47	54.85
BELGIUM			
Belgian SE	2,233.78	2,236.51	—
CANADA			
Toronto			
Metals & Minls	2,053.8	2,040.6	1,941.0
Composite	2,739.7	2,723.2	2,242.7
Montreal			
Portfolio	135.05	134.11	108.26
DENMARK			
Copenhagen SE	189.35	189.01	189.96
FRANCE			
CAC Gen	223.0	221.9	174.9
Ind. Tendance	124.2	123.2	90.1
WEST GERMANY			
FAZ-Aktien	438.63	437.06	347.44
Commerzbank	1,283.8	1,278.8	1,011.6
HONG KONG			
Hang Seng	*1,612.22*	*1,638.47*	893.01
ITALY			
Banca Comm.	318.74	317.40	205.98
NETHERLANDS			
ANP-CBS Gen	209.3	207.6	165.5
ANP-CBS Ind	170.7	170.5	132.1
NORWAY			
Oslo SE	341.52	336.73	294.84
SINGAPORE			
Straits Times	825.58	828.96	930.43
SOUTH AFRICA			
JSE Golds	–	1,088.5	975.0
JSE Industrials	–	942.5	979.1
SPAIN			
Madrid SE	110.77	110.67	85.77
SWEDEN			
J & P	1,396.35	1,417.55	1,485.91
SWITZERLAND			
Swiss Bank Ind	435.2	432.3	373.4
WORLD	**May 20**	**Prev**	**Year ago**
Capital Int'l	212.8	209.7	179.6

GOLD (per ounce)

	May 21	Prev
London	$317.50	$323.25
Zürich	$315.25	$323.75
Paris (fixing)	$315.63	$323.95
Luxembourg	$316.30	$324.50
New York (June)	$317.95	$314.00

COMMODITIES

(London)	May 21	Prev
Silver (spot fixing)	486.50p	509.10p
Copper (cash)	£1,174.00	£1,168.50
Coffee (July)	£2,076.50	£2,055.00
Oil (spot Arabian light)	$26.675	$26.725

* Latest available figure

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	May 21	Previous	May 21	Previous
$	–	–	1.272	1.2825
DM	3.067	3.034	3.895	3.8925
Yen	250.25	249.8	318.5	320.0
FFr	9.355	9.26	11.87	11.845
SwFr	2.584	2.5625	3.2875	3.27
Guilder	3.4575	3.428	4.4	4.3975
Lira	1,951.5	1,937.0	2,483.0	2,484.5
BFr	81.55	60.95	78.3	78.2
C$	1.3725	1.3668	1.745	1.756

INTEREST RATES

Euro-currencies	May 21	Prev
(3-month offered rate)		
£	12⅝	12¹¹⁄₁₆
SwFr	5¼	5⁵⁄₁₆
DM	5⁵⁄₁₆	5½
FFr	10⁵⁄₁₆	10⁷⁄₁₆
FT London Interbank fixing		
(offered rate)		
3-month U.S.$	8	8¹⁄₁₆
6-month U.S.$	8¼	8⁵⁄₁₆
U.S. Fed Funds	7⅝	7⅞
U.S. 3-month CDs	7.60	7.6
U.S. 3-month T-bills	7.29	7.245

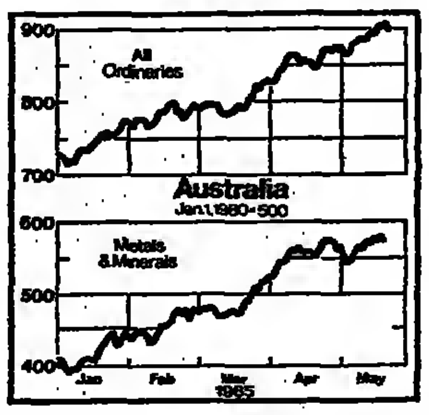
U.S BONDS

Treasury		May 21* Price	May 21* Yield	Prev Price	Prev Yield
9⅝	1987	101⁵⁄₃₂	9.08	101⁵⁄₃₂	9.03
11⅝	1992	106¹³⁄₃₂	10.42	106¹³⁄₃₂	10.42
11¼	1995	104½₂	10.59	104⁶⁄₃₂	10.56
11¼	2015	103¹⁴⁄₃₂	10.852	103²⁸⁄₃₂	10.82

Corporate	May 21* Price	May 21* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	99½	10.50	99⅛	10.50
3⅞ July 1990	78½	9.25	78½	9.25
8⅝ May 2000	80½	11.50	80½	11.50
Xerox				
10⅞ March 1993	96⅝	11.25	96⅝	11.25
Diamond Shamrock				
10⅞ May 1993	96¼	11.35	96¼	11.35
Federated Dept Stores				
10⅜ May 2013	80½	11.50	80½	11.50
Abbot Lab				
11.80 Feb 2013	100	11.80	100	11.80
Alcoa				
12¼ Dec 2012	99.213	12.35	99.213	12.35

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT)				
8% 32nds of 100%				
June	75–08	75–11	74–31	75–14
U.S. Treasury Bills (IMM)				
$1m points of 100%				
June	92.74	92.74	92.68	92.75
Certificates of Deposit (IMM)				
$1m points of 100%				
June	92.26	92.25	92.18	92.26
LONDON				
Three-month Eurodollar				
$1m points of 100%				
June	91.94	91.97	91.90	91.96
20-year Notional Gilt				
£50,000 32nds of 100%				
June	105–18	106–01	105–18	105–30



WALL STREET

Firmness around records

FIXED interest and equity sectors marked time on Wall Street yesterday, consolidating Monday's gains, *writes Terry Byland in New York.*

The downgrading of official estimates of first-quarter GNP growth failed to change views on the pace of the U.S. economy. Modest profit-taking in bonds, hardly unexpected after the strong rise of the past week, took a quarter point or so off the long end. Stocks rallied from a similar bout of selling and edged marginally forward to new peaks at mid-session.

In the stock market, turnover was still very heavy as prices churned around overnight levels. There was some selling at first but prices soon rallied and moved forward again. A sudden waft of buying of blue chip stocks in the final hour left the market looking very firm.

The Dow Jones industrial average ended a net 4.82 points up at a new peak of 1,309.70.

Across the broader market, however, prices shaded lower. Turnover, boosted by the late buying totalled 130.6m shares, only 17m below Monday's figure.

The downgrading of GNP growth estimates from 1.3 per cent to 0.7 per cent was less sharp than expected in some quarters, and some analysts warned that the bond markets may have exaggerated the slowdown in the economy. However, views remained split, with some credit market professionals hinting that another cut in Federal discount rate may not be far away.

Leading stocks showed small mixed changes. Motor issues held firm, General Motors added $¼ to $70⅝, Ford $⅝ to $43⅝ and Chrysler $⅛ to $36½.

Pharmaceuticals, hoping for a renewed slide in the dollar, were higher, with Merck providing the best feature with a gain of $2⅛ at $108¾.

The most dramatic mover was Unocal, which made a delayed start after Mr T. Boone Pickens had accepted defeat in his fight to gain control. Unocal stock reopened sharply lower to reflect the board's intended stock buyback price. At $35¾, the shares were $10¼ off. Also trading on a when-distributed form were the new stock to be issued to stockholders, priced in the market at $33, down $¾.

IBM held steady at $133 after a dull start and other technology issues tried to follow suit. At $61½, Honeywell added $⅞.

Airline stocks also attempted to join in the mid-session rally but were held back by the strike by United Airlines pilots which could have significant implications for the industry. United at $46⅛ slipped by a further $⅛, and other domestic carriers to turn down included American, $⅛ off at $45½, and Delta, $⅝ off at $45½.

Pan American touched another peak at $6⅝, a net gain of $⅛ in heavy trading.

Wall Street continued to give its mark of approval to the planned merger of Allied and Signal. At $40⅝, Signal shaded by $⅝ but topped the active list, while Allied, also $⅞ lower at $42 was also active.

Oil stocks remained a shade easier, although the outcome of the Unocal-Pickens fight has important implications for the bid-racked oil sector. Chevron added $⅜ to $35¼ and Mobil $⅞ to $31 but Atlantic Richfield at $61½ held steady and Exxon gained $⅞ to $52¾.

A weak feature was Taft Broadcasting, $1¼ down at $74¾ after agreeing to sell five radio stations to CBS, itself $½ off at $111¼.

May Department Stores, $1⅛ up at $51 was the bright spot in a dull retail sector, where J. C. Penney was unchanged at $49⅝ after disclosing a sharp dip in first-quarter earnings.

In the meantime, the Treasuries market was content to digest its recent gains while awaiting some hint of the outcome of yesterday's meeting of the Fed's Open Market Committee (FOMC).

Electronics and defence issues moved erratically in response to the recent Senate votes on budget cuts, which would affect federal spending. General Dynamics shed a further $2⅝ to $69, and Boeing, $⅝ off at $63¾ and McDonnell Douglas, $1 down at $74 were also weaker.

Westinghouse, however, came in for support, gaining $1 to $34 in active trading.

There was very little recovery in money market rates, after the heavy fall of the previous session. Federal funds remained below 6 per cent, and gains of four basis points or so in Treasury Bill and CD rates was of little significance in terms of market opinion.

LONDON

Early gains prove hard to retain

AN EARLY burst of enthusiasm after Wall Street's overnight performance sent London sharply higher in early trading, but the market soon ran out of steam.

The FT Ordinary share index, which rose to within 3 points of its all-time high, later faded to close up 4.2 at 1,020.2.

Gilts also received an early lift as a result of foreign demand but gains were later reduced after erratic movements in both sterling and the dollar.

Chief price changes, Page 32; Details, Page 33; Share information service, Pages 34–35

AUSTRALIA

AN OVERNIGHT drop in the international bullion price coupled with profit-taking to take most stock prices lower in Sydney.

The All Ordinaries dropped 6.4 from Monday's record to end at 896.0 The gold index shed 16 points to 983.6.

Gold Mines of Kalgoorlie gave up its previous day's gains to end 50 cents lower at A$10.10 and Kidston Gold Mines lost 20 cents to A$4.40.

Blue-chip metal miners were also lower, with CRA off 10 cents at A$6.56. The company announced it has reached agreement on a survival plan for its Cobar copper mine.

SINGAPORE

LOWER than expected economic growth figures for the first quarter prompted profit-taking in Singapore and shares closed generally easier after early firmness.

The Straits Times industrial index shed 3.38 points to 825.58.

Genting, one of the few stocks to move against the trend, added 5 cents to S$6.50. Hotels and properties were narrowly mixed, while commodities were slightly lower.

Among other blue chips, Sime Darby shed 6 cents to S$2.10, giving up gains from the previous session, and Singapore Press and Malay Banking both lost 5 cents to S$6.05 and S$6.35 respectively.

SOUTH AFRICA

A CONTINUED weakness in the price of bullion took gold shares in Johannesburg lower in active trading.

Vaal Reefs shed R6 to R187 and Beatrix dropped 25 cents to R8.65.

Barclays Bank, which followed the trend and cut its base lending rate, gained R1.50 to R20. Rembrandt, the tobacco group, also rose, adding R1.50 to R39.

Mining financials and platinums eased in sympathy with golds, however, and Anglo American lost 10 cents to R28.90.

CANADA

TORONTO reached its fourth straight record close in very heavy trading, despite a late slump.

Interest remained active in Lac Minerals, which is considering a merger. The issue rose C$⅛ to C$33⅞.

In other mines, Noranda was most active, losing C$⅛ to C$14⅝. Campbell Red Lake put on C$⅝ at C$29 and Placer added C$⅛ to C$26⅛.

Montreal also closed higher in brisk trading with banks, utilities and industrials all up.

EUROPE

Frankfurt's peak form continues

CARRIED by Wall Street's momentum, Frankfurt reached its ninth peak in the past 11 trading days and other European bourses also showed solid gains.

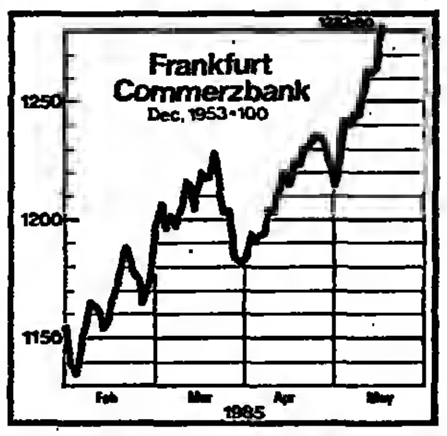
Investor interest flowed into a broad range of sectors with banks and insurance groups again receiving most attention as U.S.-inspired hopes for lower interest rates took hold.

The overnight record on Wall Street gave buyers control throughout most of the day, although profit-takers asserted their influence in the afternoon to leave several markets below their peaks.

Foreign buyers were again in evidence in Frankfurt, lending weight to domestic support which combined to leave the Commerzbank index 5.0 higher at 1,283.80.

Motivated by expectations of future profits, the Commerzbank closed DM 4 higher at DM 185. Dresdner also rose, up 80pfg to DM 226, and Deutsche Bank was DM 4.50 higher at DM 487.20.

Porsche led a generally strong car sector, advancing DM 12 to DM 1,187, while



Volkswagen firmed DM 2.90 to DM 244.70 and BMW DM 7.50 to DM 380. Following further details on Daimler-Benz's purchase of Dornier, the car producer's shares rose DM 3 to DM 731.

Among chemical groups, Bayer fell to profit-taking but closed 30 pfg higher at DM 224.80 – DM 1.20 below its peak for the day. BASF moved in a similar fashion but ended down 40 pfg at DM 213.10 after an initial gain of DM 1.40.

GHH added DM 4 to DM 150 in line with a generally strong engineering sector, which also pushed *KHD 50 pfg higher* to DM 243.5.

Bond prices closed higher in active trading, sharing the hope of lower interest rates.

Paris resumed its march forward and the CAC general index closed at a record, up 1.1 at 223.0. The bourse benefitted from an encouraging report by the French central bank on future industrial activity.

The construction sector came under sustained buying. Bouygues stood out with a FFr 50 rise to FFr 850 and Poclain improved FFr 4.60 to FFr 74.50.

Drink groups were again on the rise, with Moët-Hennessy adding a further FFr 29 to FFr 1,930, while Pernod firmed FFr 3 to FFr 757.

Amsterdam stocks held their early rises with banks at the forefront of buying interest. The index covering the sector added 6.6 to finish at a record for the year of 307.4.

ABN added Fl 3 to Fl 442 and NMB was Fl 2.20 higher at Fl 172.

Insurers were also firmer, led by Aegon up Fl 3 at Fl 194 and Natned Fl 1.90 higher at Fl 65.50.

Among blue chips, Royal Dutch firmed Fl 1.10 to Fl 204.80 and Akzo was 70 cents higher at Fl 108.80.

Buyers in **Zurich** also concentrated attention on banks and insurance groups, although trading was heavy in every sector. Bank Leu added SwFr 60 to SwFr 3,800, with UBS SwFr 50 higher at SwFr 3,900 and Swiss Volksbank registering a SwFr 40 rise to SwFr 1,570.

Trading remained lively in **Brussels**, however price movements were marginal.

On speculation that a group of Flemish shareholders, who recently set up a holding company to manage Vieille-Montagne, may be preparing to seek control, the company's shares added BFr 10 to BFr 6,960.

Stockholm was the only continental European bourse to lose ground as domestic economic concerns outweighed Wall Street's influence.

Prices fell in all sectors, with movements sharpest among trading companies.

Volvo, Sweden's largest industrial group, continued to trade amid doubts about its future profit course and eased SKr 2 to SKr 242. Ericsson moved against the trend and closed SKr 4 higher at SKr 294 on foreign buying interest.

The tempo of trading in **Milan** remained high with selective buying in bank, food and insurance companies.

Madrid prices were marginally higher.

TOKYO

Weaker yen triggers profit-taking

WALL STREET'S overnight record pushed share prices substantially higher across a broad front in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

But the upward trend slowed somewhat toward the close under profit-taking, triggered by the yen's weakness against the U.S. dollar.

The Nikkei-Dow market average, which was 110.75 higher at one point, closed 91.08 points higher at 12,650.16 compared with its record of 12,683.26 set on April 3. Advances outnumbered declines by 477 to 320, with 138 issues unchanged. Volume swelled from Monday's 422m shares to 606.57m.

Low-priced large-capital issues attracted strong buying interest. Mitsubishi Heavy Industries topped the most active list with 31.14m shares changing hands and rose Y5 to Y278. Nippon Steel advanced Y2 to Y153.

Nippon Yakin Kogyo, the second most active stock with 25.24m shares traded, jumped Y15 to Y479 on the strength of its development of amorphous alloy moulding technology.

Stock in trading houses changed hands briskly on expectations of lower interest burdens. C. Itoh, the third busiest stock with a turnover of 24.79m shares, added Y15 to Y403, Mitsubishi Y14 to Y577 and Sumitomo Y22 to Y705.

Among other improvers, Unitika moved up Y12 to Y276, Kirin Brewery Y7 to Y701 and Asahi Chemical Y29 to Y995.

Blue chips were in the spotlight, with Sony advancing Y100 to Y4,160, Hitachi Y16 to Y794, Alps Electric Y30 to Y1,690 and Canon Y30 to Y1,240.

Electric power and gas issues, which had fared well the previous day because of the firmer yen, turned lower under profit-taking. Tokyo Electric Power lost Y30 to Y1,900, Tohoku Electric Power Y10 to Y1,320 and Tokyo Gas Y2 to Y208.

Brokerage houses predict continued support, hinged heavily on U.S. interest rate trends.

Bond trading was very active reflecting surging U.S. bond prices. The yield on 6.8 per cent government bonds due in December 1994, replacing 7.3 per cent government bonds maturing in December 1993 as the benchmark issues, remained unchanged at 6.35 per cent. But the yield on the 7.3 per cent bonds fell sharply from Monday's 6.665 per cent to 6.645 per cent.

HONG KONG

SMALL INVESTORS continued to take profits from Hong Kong shares and as the momentum gathered prices closed lower across the board.

Despite favourable land auction results, properties led the downward move. Cheung Kong shed 10 cents to HK$16.60, Hang Lung lost 15 cents to HK$6.20, Hongkong Land 10 cents to HK$5.85 and Hongkong Wharf 5 cents to HK$6.50.

Elsewhere, Hongkong Bank and Jardine Matheson were each 10 cents lower at HK$8.30 ex-all and HK$11.40 respectively.

China Light dropped 30 cents to HK$16.00 and Hongkong Electric was 10 cents lower at HK$8.35.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16	AAR	.48	2.7	13	148	18⅛	17¾	17¾	+¼
18⅛	9⅜	AGS			12	208	14⅜	13⅝	14¼	+¼
21½	13¾	AMF	.50	2.6	54	1052	19	18½	19	+½
47⅛	24¼	AMR			10	3323	46⅛	45	45½	−⅞
21⅛	18⅝	AMR pf	2.18	10.		197	21¼	21⅛	21⅛	
23	19	ANR pf	2.12	11.		1	19¾	19¾	19¾	
14¼	7⅜	APL				13	8⅞	8⅝	8⅞	+⅛
65¼	44⅝	ASA		24.0		483	50¾	49⅞	50⅜	+⅜
27	14⅛	AVX	.32	2.1	12	316	15⅛	14⅞	15¼	+¼
24⅞	18	AZP	2.72	11.	7	5771	24⅜	24	24¼	
54⅜	38¾	AbtLab	1.40	2.6	10	1061	54⅛	53¾	53¾	−⅜
25⅞	17	AccoWd	.44	2.8	17	647	22	21⅛	21⅛	+⅛
20¾	12½	AcmeC	.40	2.9		125	14½	14	14	
10½	7⅝	AcmeE	.32b	4.1	16	21	8	7⅞	7⅞	−⅛
17⅜	15	AdaEx	1.82e	11.		138	u17½	17	17⅛	−¼
20	11⅞	AdmMl	.32	2.3	7	5	16⅛	16⅛	16⅛	+⅛
19½	8⅜	AdvSys	.53t	4.8	18	19	11¼	11	11	−¼
41½	25⅛	AMD			19	2977	29⅝	28¾	29	−¾
12¾	6⅞	Advest	.12	1.2		134	9¾	9½	9⅝	+⅛
14⅝	8¾	Aeflex			12	348	12⅞	12⅝	12⅞	+⅜
46⅝	27¼	AetnLf	2.64	5.8	33	2187	46	45⅝	45⅞	−⅛
58¼	52⅜	AetL pf	5.89e	10.		5	56	56	56	−⅛
36	16¾	Ahmns	1.20	9.5	14	478	35	34½	34¾	−½
3⅝	2½	Aileen			22	30	9	2⅞	2⅞	
53¼	36⅝	AirPrd	1.20	2.2	12	852	u53½	52⅜	53⅜	+¾
24⅜	13	AirbFrt	.60	2.9	12	276	21⅜	20¾	21⅛	−⅜
2	1	AlMoa s			23	30	1⅝	1⅝	1⅝	−⅛
33⅝	26¾	AlaP pfA	3.92	12.		29	33¼	32¾	32¾	−⅝
0	0	AlaP dpf	.87	11.		62	8	7⅝	7⅞	
76	81½	AlaP pf	9	12.		z370	76	75	76	+¾
91	63⅛	AlaP pf	9.44	12.		z108	86	00	00	−1
71	57	AlaP pf	8.16	12.		z250	71	70	70¼	+¼
68½	56	AlaP pf	8.28	12.		z200	u69	69	69	+⅛
16⅛	11	Alagsc s	1.04	6.7	9	36	15½	15⅛	15½	
22⅞	9¼	AlskAir	.14	.6	0	380	22¾	22½	22⅝	−⅛
18¾	10½	Albrto s	.38	2.2	20	73	18½	17⅝	17⅝	−¾
33¼	22½	Albtsns	.78	2.9	14	323	33¼	32¾	32⅞	
31¼	23¼	Alcan	1.20	4.5	13	3053	21	26⅝	26¾	+⅛
36⅛	27⅛	AlcoStd	.20	3.5	12	90	35⅛	34½	34½	−¾
32	17	AlexAlx	1	3.4		312	29⅝	29	29	−⅜
26½	20⅜	Alexdr			20	26	23⅝	23½	23½	
88½	71	AllgCp	2.00t	2.3	24	878	79⅞	78¼	78¼	−½
26¾	23	AlgCp pf	2.86	11.		x5	25¾	25¾	25¾	
28¾	18¾	AlgInt	1.40	5.5		53	26	25⅝	25⅝	−⅛
20	15¼	AlgIn pf	2.16	11.		6	19⅝	19⅝	19⅝	−¼
96¼	81	AlgI pfC	11.25	12.		12	u96⅛	96⅛	96½	+½
33⅜	24⅝	AllgPw	2.70	9.2	13	710	33¼	32⅞	33	−¼

Continued on Page 31

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 32

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 30

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
8	5⅛	Wurlitzr				5	3⅞	3⅞	5⅞	
18	19¾	WyleLb	.32	2.7	6	32	11⅞	11⅝	11¾	+⅜
23⅝	17	Wynns	.60	3.3	7	64	18⅛	17⅞	18	−¼
		X Y Z								
50⅛	23¼	Xerox	3	6.0	21	2364	50¼	49¾	50	−⅛
54	45¼	Xerox pf5.40		10.		6	u54⅛	54	54⅛	+⅜
60	24	ZaleCp 1.32		4.8	9	41	27⅜	27	27¼	+¼
24⅜	12⅞	Zapata	.84	6.6	24	963	12⅞	d12	12⅞	
75¼	32	Zayre	.40b	.8	17	1273	71¾	70½	71½	−⅜
00	24	Zayre wi				14	56	50½	55⅝	−⅜
30	16⅛	ZenithE			8	923	22⅛	21¾	21⅞	−¼
21⅞	14⅜	Zero s	.32	1.8	15	97	18¼	17¾	18	−¼
33	21⅞	Zurnin	1.32	4.0	11	364	u33⅛	32¼	33	+⅜

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

WORLD STOCK MARKETS

AUSTRIA

May 21	Price Sch%	+ or —
Creditanstalt	333	+6
Goesser	629	+4
Interunfall	1,050	+50
Laenderbank	620	+5
Perlmooser	572	+10
Steyr-Daimler	194	—1
Veitscher Mag	500	......

BELGIUM/LUXEMBOURG

May 21	Price Frs.	+ or —
B.B.L.	1,945	......
Banq. Int. A. Lux	5,000	......
Bekaert B.	6,500	......
Ciment CBR	2,400	—400
Cockerill	222	—8
Delhaize	8,550	......
EBES	2,805	+5
Electrobel	6,350	+20
Fabrique Nat.	1,900	+22
GB Inno BM	3,155	+15
GBL (Brux)	1,920	+20
Gevaert	5,565	+5
Hoboken	5,490	—20
Intercom	2,040	—220
Kredietbank	8,400	+80
Pan Hldgs.	11,000	......
Petrofina	5,890	—510
Royale Belge	11,850	+50
Soc. Gen. Banq.	3,290	......
Soc. Gen. Belge	1,850	—95
Sofina	6,210	+10
Solvay	4,230	—30
Stanwick Intl.	1,610	—30
Tractionel	3,250	+35
UCB	4,255	+10
Wagon Lits	2,900	—222

DENMARK

May 21	Price Knr %	+ or —
Andelsbanken	896	......
Baltic Skand	535	......
CopHandelsbank	270xr	—8
D. Sukkerfab	620	+5
Danske Bank	299	—6
De Danske Luft	1,145	......
East Asiatic	215	—2
Forenede Brygg.	990	......
Forenede Damp.	136	......
GNT Hldg	394	......
I.S.S.B.	485	......
Jyske Band	536	......
Novo Ind	1,605	+70
Privatbanken	270	—6
Provinsbanken	345	—1
Smidth (F)	849	......
Sophus Berend	1,060	+5
Superfos	438	—6

FRANCE

May 21	Price Frs.	+ or —
Emprunt 4½% 1973	1,647	—1
Emprunt 7% 1973	8,120	—115
Accor	278.5	+8.5
Air Liquid	649	......
BIC	652	+20
Bongrain	1,920	+12
Bouygues	860	+62
BSN Gervais	2,470	+18
CIT Alcatel	1,368	—7
Carrefour	2,235	+10
Club Mediter'n	562xe	+5
Cie Bancaire	819xe	+7
Cofimeg	594	+4
Damart	2,321	+1
Darty	1,350	......
Dumex S.A.	725	+34
Eaux (Cie Gen)	535	+6
Elf-Aquitane	222.6	+2.5
Essilor	2,595	+14
Gen. Occidentale	715	+8
Imetal	127	+4.2
Lafarge Coppee	540	—5
L'Oreal	2,527	+17
Legrand	8,220	+20
Maisons Phenix	854.6	......
Matra S.A.	1,800	—11
Michelin B.	981	+21
Midi (Cie)	2,669	+10
Moet-Hennessy	1,230	+29
Moulinex	99.5	+1
Nord Est	89	—0.9
Penod Ricard	767	+3
Perrier	538	+1
Petroles Fra.	275.3	+2.4
Peugeot S.A.	532	—1.5
Printempt.Aus	256	+2
Radiotech	292	—3
Redote	1,432	......
Roussel-Uclaf	1,730	—44
Sefimeg	356	—3
SkisRossignol	1,588xc	+12
Telemech Elect.	2,340	—65
Thomson CSF	553	+6
Valeo	211.5	+5.5

GERMANY

May 21	Price Dm.	+ or —
AEG-Telef	116	+1.6
Allianz Vers	1257xr	—18
BASF	213.1	—0.4
Bayer	224.8	+0.3
Bayer-Hypo	343	+8
Bayer-Verein	344.0xd	......
BHF-Bank	305	+2
BMW	380	+7.3
Brown Boveri	213	+3
Commerzbank	185	+4
Cont'L Gummi	139	+0.6
Daimler-Benz.	731	+3
Degussa	350	+6.6
D'sche Babcock	160	—2.5
Deutsche Bank	487.2xd	+4.5
Dresdner Bank	226xd	+0.8
GHH	150	+4
Hochtief	483	+5
Hoechst	225	—0.3
Hoesch Werke	108.5	—1
Holzmann (P)	428	+3
Horten	176	+1
Hussel	299	+2
Karstadt	230	+2
Kaufhof	236.8	+2.8
KHD	243.6	+2.5
Kloeckner	69.5	—0.5
Linde	449	+3
Lufthansa	191	—1
MAN	153.5	—1.5
Mannesmann	156.5	+0.6
Mercedes Hld.	534.5	+2
Metallgesel	252	—1.1
Munech Rueck	1,370	—12
Nixdorf	591.5	+3.5
Porsche	1187	+12
Preussag	281	+7
Rhein West Elect	165.6	+0.7
Rosenthal	350	+2
Schering	465	+1
Siemens	551.5	+2.4
Thyssen	105.8	—0.1
Varta	309.5	+4.5
Veba	185	—0.8
V.E.W.	132.5	+5.6
Verein-West	318	......
Volkswagen	244.7	+8.5

ITALY

May 21	Price Lira	+ or —
Banco Com'le	18,312	+112
Bastogi-IRBS	239.7	+6.7
B.I-invest	3,536	—15
Centrale	3,300	+80
Credito Varesino	4,240	—55
Fiat	3,299	—3
Finsider	100.7	......
Generali Assicur.	46,280	—210
Italcementi	90,750	+750
La Rinascente	800	+11
Montedison	1,700	+6
Olivetti	6,560	......
Pirelli Co.	4,090	—10
Pirelli Spa	2,479	+19
Snia BPD	3,200	+26
Toro Assic.	14,890	—100
do Pref	11,190	—100

NETHERLANDS

May 21	Price Fls	+ or —
ACF Holding	201	+1
AEGON	193	+2
Ahold	221.6	+1.1
AKZO	108.8	+0.7
ABN	441	+2
AMEV	244	+1.5
AMRO	77.2	+1.6
Bredero Cert.	175	+3
Bos Kalis Westm.	12	—2.6
Buehrmann Tet.	82.5	+2.8
Calland Hldgs.	35.8	—0.3
Cordtscha Pet'm	186	+1.4
Elsevier NDU	115.5	+2.3
Fokker	128.1	+0.1
Cist Brocades	180.7	......
Heineken	144.3	—1.7
Hoogovens	62	......
Int Mueller	50.0	+0.5
KLM	58.6	—0.8
Naarden	45.5	—0.5
Nat Ned Colt	65.4	+1.8
Ned M'd Bank	172.3	+2.6
Nedlloyd	173	+5.3
Oce Grinten	315	......
Ommeren (Van)	28.8	+0.2
Pakhoed	64.5	......
Philips	54.2	+0.3
Robeco	74.4	+0.7
Rodamco	139	+0.8
Rolinco	62	+0.5
Rorento	46.6	+0.3
Royal Dutch	204.5	+2.8
Unilever	341.6	—0.5
VMF Stork	209.9	+2.9
VNU	209.9	+2.2
West Utr Bank	98	+1.6

NORWAY

May. 21	Price Kroner	+ or —
Bergens Bank	145	—2.5
Borregaard	389	......
Christiania Bank	141	+2.5
DenNorske Cred	148	......
Elkem	152	+5
Kvaerner	171	+6.5
Norsk Data	406	+1
Norsk Hydro	114	+1.6
Storebrand	266	+1

SPAIN

May 21	Price Pta%	+ or —
Bco Bilbao	345	......
Bco Central	322	......
Bco Exterior	202	......
Bco Hispano	159	—1
Bco Popular	366	—1
Bco Santander	362	......
Dragados	168.2	—1.8
Hidrola	64.2	......
Iberduero	24.5	+1
Petroleos	151	+0.3
Telefonica	121	+1

SWEDEN

May 21	Price Kronor	+ or —
ACA	595	......
Alfa-Laval	185	......
ASEA (Free)	530	......
Astra (Free)	435	......
Atlas Copco	115	......
Cardo (Free)	345	......
Cellulosa	117	......
Electrolux B.	283	—8
Ericsson	294	+4
Esselte	408	......
Mo och Domsjo	380	—12
Pharmacia	189	......
Saab Scania Free	465	......
Sandvik	582	—13
Skandia	305	—11
Skan Enski'de	44.5	—0.5
SKF	318	—2
St Kopparbergs	136	—5
Sven Handlesbn.	143	—4
Swedish Match.	325	—5
Volvo B (Free)	242	+2

SWITZERLAND

May 21	Price Frs.	+ or —
Alusuisse	812	—6
Bank Leu	3,825	+85
Brown Boveri	1,615	......
Ciba Geigy	3,236	+45
do. (Part Certs)	2,525	+60
Credit Suisse	2,600	+22
Elektrowatt	2,800	+40
Fisher(Geo.)	756	......
Hoff-Roche PtCts	86,500	—375
Hoff-Roche 1/10	8,725	+125
Jacobs Suchard.	5,860xr	+20
Jelmoli	2,000	......
Landis & Cyr	1,650	+10
Nestle	6,570	+20
Oer-Buehrle	1,450	......
Pirelli	344	+4
Sandoz (Br)	8,875	......
Sandoz (PtCts)	1,412	+25
Schindler (PtCts)	883	+8
Sika	1,552	......
Surveillance	4,590	+85
Swissair	1,115	—15
Swiss Bank	409	+6
Swiss Reinsce	12,450	+250
Swiss Volksbk	1,680	+50
Union Bank	3,890	+40
Winterthur	4,550	+150
Zurich Ins.	25,700	......

AUSTRALIA

May 21	Price Aust $	+ or —
ANZ Group	4.75	—0.11
Alliance Oil Dev.	1.08	......
Ampol Pet.	1.83	+0.01
Ashton	1.21	......
Aust. Cons. Ind.	6.3	......
Aust. Guarantee	2.45	......
Aust. Nat. Inds	2.88	+0.2
APM	2.9	......
Bell Group	7.28	—0.04
Bell Res	7.3	—0.1
Bond Corp Hldgs	1.44	—0.06
Boral	3.86	......
Bougainville	2.35	+0.05
Brambles Inds	3.86	......
Bridge Oil	2.35	—0.05
B.H. Prop	6.66xc	—0.08
CRA	5.66	—0.51
CSR	5.73	—0.07
CastlemaineTys	6.4	+0.04
Coles (G.J.)	3.75	+2.02
Comalco "A"	2.37	+0.02
Consolidated Pet	0.40	—0.05
Costain Aust.	1.8	......
Dunlop Olympic	2.2	......
Elders IXL	3.03	—0.01
Energ Res.	1.51	......

AUSTRALIA (continued)

May 21	Price Aust.$	+ or —
Gen. Pro. Trust	2.32	+0.01
Hardie (James)	3.23	—0.05
Hartogen Energy	3.25	+2.01
Herald W'y'limsl	4.75	—0.05
ICI Aust.	2.02	......
Jimberlana F.P.	0.89	......
Kia Ora Gold	2.15	—0.14
Lend Lease	7.08	—0.08
MIM	3.30	+0.81
Mayne Nickless	3.3	+0.1
Myer Emporium	1.94	—0.01
Nat. Aust. Bank	4.37	—0.05
News	7.8xc	......
Nicholas Kiwi	1.94	+0.02
North Bkn Hill	2.65	—0.08
Oakbridge	1.02	......
Pancont'l	1.98	—0.02
Pioneer Conc.	1.73	—0.05
Poseidon	4.35	—0.1
Queensland Coal	1.66	—0.05
Reckitt & Coln.	3.4	......
Repco	1.23	......
Santos	6.1	—0.12
Smith (Howard)	4.75	+0.05
Thos. Natwide	2.03	+0.05
Tooth	5.8	......
Vamgas	4.6	......
Western Mining	4.4	—0.05
Westpac Bank	4.25	......
Woodside Petrol	1.60	......
Woolworths	2.2	......
Wormald Intl.	3.58	+0.81

HONG KONG

May 21	Price H.K.$	+ or —
Bank East Asia	27.5	+2.1
Cheung Kong	16.8	—0.1
China Light	15	—0.3
Evergo	0.85	+2.4
Hang Seng Bank	62	—1.5
HK Electric	8.35	—0.1
HK Kowloon Wh.	6.5	—0.05
HK Land	5.85	—0.1
HK Shanghai BK.	8.3xa	—0.1
HK Telephone	95	—3
Hutchinson Wpa	24	—0.8
Jardine Math.	11.4	—0.1
New World Dev.	7.25	—0.15
Orient O'seas	2.15	......
Oseas Trust Bk.	3.1	—2.95
SHK Props	18	—0.3
Shell Elect.	1.31	—0.02
Swire Pac A	24.1	—0.1
TV—B	7.15	+2.95
Wheel'k Mard A.	7.25	......
Wheel'k M'time	1.12	......
World Int. Hldns.	2.1	—0.05

JAPAN

May 21	Price Yen	+ or —
Ajinomoto	1,140	+80
Alps Electric	1,690	+32
Amada	890	......
Asahi Chem	555	+25
Asahi Glass	877	+2
Bridgestone	518	—5
Canon	1,240	+30
Casio Comp.	1,720	+40
Chugai Pharm.	1,040	......
Citizen	478	+1
Daiei	696	+11
Dai Nippon Ptg	1,040	+12
Daiwa House	610	—12
Ebara	434	+17
Eisai	1,440	+30
Fanuc	8800xr	+100
Fuji Bank	1,550	......
Fuji Film	1,830	+20
Fujisawa	972	+2
Fujitsu	1,140	+32
Green Cross	2,630	—20
Hasegawa	425	+7
Heiwa Real Est.	866	—4
Hitachi	794	+18
Hitachi Credit	1,100	......
Honda	1,350	+20
House Food	732	—3
Hoya	2,130	+32
Itoh (C)	403	+16
Ito. Yokado	2,700	+70
Iwatsu	836	—5
JACCS	370	+30
JAL	7,012	—112
Jusco	790	......
Kajima	311	+3
Kao Soap	840	—5
Kashiyama	692	+3
Kirin	721	+7
Kokuyo	930	—27
Komatsu	436	......
Konishiroku	672	......
Kubota	341	......
Kumagai	606	+7
Kyoto	4,950	+20
Maeda Const.	611	—14
Makino Milling	1,160	—10
Makita	1,020	......
Marubeni	338	+10
Marudai	578	+5
Marui	1,180	+60
MEI	1,532	+30
M'ta Elec Works	781	—11
M'bishi Bank	1,560	......
M'bishi	577	+14
M'bishi Elect	385	—3
M'bishi Estate	672	......

JAPAN (continued)

May 21	Price Yen	+ or —
MHI	278	+5
Mitsui	361	......
Mitsui Estate	769	+3
Mitsukoshi	646	+2
NGK Insulators	876	+8
Nihon Cement	290	—8
Nippon Denso	1,390	+40
Nippon Elect	1,060	+60
Nippon Express	361	—3
Nippon Gakki	1,570	—40
Nippon Kokan	135	+1
Nippon Oil	872	+8
Nippon Seiko	583	—8
Nippon Shimpan	690	+10
Nippon Steel	153	+2
Nippon Suisan	345	+5
NTV	12,350	—100
Nippon Yusen	275	—4
Nissan Motor	614	+4
Nisshin Flour	548	+14
Nisshin Steel	170	+1
Nomura	1,110	—10
Olympus	1,312	—60
Orient Leasing	2,830	+30
Pioneer	2,060	+10
Renown	682	+11
Ricoh	948	+13
Sankyo	1,200	+5
Sanyo Elect.	460	+80
Sapporo	488	+11
Sekisui Prefab	655	—9
Seven-Eleven	9,250	+10
Sharp	959	+9
Shimadzu	738	+5
Shionogi	727	+5
Shiseido	1,140	+20
Sony	4,160	+10
Stanley	851	—4
S'tomo Bank	1,790	+100
S'tomo Elect	845	......
S'tomo Marine	544	+8
S'tomo Metal	148	—1
Taihei Dengyo	492	+1
Taisei Corp.	229	+1
Taisho Pharm	1,110	......
Takeda	877	+12
TDK	5,370	+60
Teijin	440	+8
Teikoku	769	—11
Tokio Marine	865	—18
TBS	835	+10
Tokyo Elect Pwr	1,900	—32
Tokyo Gas	208	—2
Tokyo Sanyo	666	—21
Tokyo Style	855	—18
Tokyu Corp	388	—7
Toppan Print	670	+10
Toray	465	—5
Toshiba Elect.	377	+2
TOTO	585	—2
Toyo Seikan	215	+21
Toyota Motor	1,290	+20
Victor	1,850	+12
Wacoal	716	—2
Yamaha	737	+1
Yamanouchi	2,990	—10
Yamazaki	705	+35
Yasuda Fire	403	+5
Yokogawa Bdge.	463	—6

SINGAPORE

May 21	Price $	+ or —
Boustead Hldgs	1.71	+2.02
Cold Storage	2.57	—0.01
DBS	5.4	......
Genting	6.5	+0.05
Haw Par. Bros.	5.41	—0.01
Hong Leong Fin.	2.98	+0.02
Inchcape Bhd.	24	—0.02
Keppel Shipyard	1.61	—0.02
Malay Banking	5.35	—0.05
Malay Utd. Ind.	2.6	......
Multi Purpose	2.91	—0.01
OCBC	2.5	—0.05
OUB	3.62	—0.02
Public Bank	1.56	......
Sime Darby	8.1	—0.08
Singapore Press	6.05	—0.08
Straits Trdg.	4.54	—0.02
Tai Lee Bk	2.81	—0.04
UOB	4.4	—0.06

SOUTH AFRICA

May 21	Price Rand	+ or —
Abercom	1.60	......
AE&CI	7.85	+0.1
Allied Tech	60.5	......
Anglo Am Coal	46.8	......
Anglo Am Corp	2.82	—0.1
Anglo Am Gold	180	—2.5
Barclays Bank	20	+1.5
Barlow Rand	12.2	—0.1
Buffels	84	+1
CNA Gallo	2.2	+0.1
Currie Finance	4.25	......
De Beers	10.85	—0.05
Driefontein	51.5	—1
FS Geduld	55.5	—1.5
Gold Fields SA	37.0	......
Highveld Steel	4.2	+1.5
Nedbank	14	+0.25
OK Bazaars	14.75	......
Protea Hldgs	2.1	+0.5
Rembrandt	35	+1.5
Rust Plat	15.8	—0.3
Safren	16.7	—2.1
Sage Hldgs	2.2	......
SA Brews	8.25	+2.2
Smith (AG)	23.5	+1.25
Tongaat Hulet	7.2	+0.1
Unisec	3.25	......

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
Closing prices May 21

Sales	Stock	High	Low	Close	Chng
29573	Dcon Dev	440	425	430	+5
4055	Loblaw Co	$18	17⅞	17⅞	−½
18600	Thom H A	$22	21⅞	21⅞	+⅛

MONTREAL
Closing prices May 21

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 31

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Div.	Yld.	E	P/ Sls 100s	High	Low	Close	Chng
USAG wt				5	19	19	19	−¼
UnitelV.94f		16.	21	28	8	5¾	6	
Unitil n .40e		2.1		2	19¼	18	19¼	+¼
UnvCm			16	47	12⅞	12¼	12⅞	+¼
UnivRs			23	122	7⅞	7¼	7¼	
UnivRu.90e		4.8	7	10	17½	17⅜	17½	+¼
UnvPat				83	12⅛	11⅝	12	−¼
VST n .30e		3.1		101	9⅞	9¾	9¾	−⅛
VallyR s1.40		7.5	14	19	18⅝	18⅝	18⅝	

Stock	Div.	Yld.	E	P/ Sls 100s	High	Low	Close	Chng
YankCo			12	60	7⅜	7⅛	7⅛	
Yardny .08		1.5	13	11	5⅜	5¼	5⅜	+⅛
Zimer .10		1.6		105	6⅝	6⅛	6¼	+⅛

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Treas. 2pc IL 1988	£113⅜	+⅝
BPB Inds.	270	+12
Barham	638	+38
Booker McCon	262	+7
Brammer	348	+28
Christies Int.	500	+17
Coats Patons	149	+10
DRG	176	+6
Dee Corp.	250	+8
Eastern Produce	340	+15
Fisons	345	+18
Gerrard & Nat	350	+12
Habitat Mother	362	+8
Hillards	302	+17
Ladbroke	285	+17
Laing (John)	232	+14
McLeod Russel	315	+18
Menzies (John)	296	+12
Regalian Prop	120	+12
Saatchi & Saatchi	650	+25
Smith (WH)	250	+12
Tarmac	592	+8
Taylor Woodrow	442	+28
Tomkins (FH)*	54pm	+14
Vickers	338	+14

FALLS

Aspinall	160	−11
Cons Gold Fields	537	−13
Goldsmiths	223	−11
Greenall Whit	175	−5

* Nil-paid

Continued on Page 36

MARKET REPORT

Equities show lukewarm response to Wall Street upsurge to record level

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
May 20	June 7	Aug 29	Sept 9
June 10	June 21	Sept 12	Sept 23
June 24	July 5	Sept 26	Oct 7

For rate indications see end of Share Information Service

London equities opened in convincing fashion yesterday following Wall Street's upsurge to record levels, which took the Dow Jones index through the 1,300 barrier for the first time. An early burst of investment enthusiasm swept the FT Ordinary share index to within three points of its all-time high, attained on January 22 last, but the market soon ran out of steam.

Business became highly selective with demand pinpointed on stocks known to be in short supply. This forced dealers to balance their positions and reduce long book commitments of other leading issues, a move which ultimately produced selling pressure. Currently sensitive sectors, such as Electricals, were affected and Plessey traded nervously awaiting tomorrow's preliminary statement.

Erratic movements in both *sterling* and the *dollar* were another unsettling influence. The latter strengthened considerably at one stage despite news of unfavourable U.S. economic data. The updated estimate of first-quarter GNP was only 0.7 per cent, compared with the previous forecast of 1.3 per cent. Continuing worries over international crude oil prices added to the indecision—it was reported yesterday that Russian Urals Blend crude prices have fallen around $2 a barrel during the month.

Equity market activity began to fade from mid-morning, but the tone, which looked suspect shortly after 11 am, started to improve again. The trend continued throughout a slow afternoon session and in the after-hours' trade the FT Ordinary share index rose to 1,020.2, a gain of 4.2 on the day and 4.3 of the peak level.

The Government's need to fund curbed domestic support of Gilt-edged securities, but sufficient foreign demand was around to give prices an early lift. A good deal of the business was aimed at medium-life maturities at the expense of the short and extra-long stocks. The gains were later reduced as sterling reacted and often erased completely after-hours following news of new funding; the authorities have issued two tranches of existing stocks, £150m of Treasury 10 per cent 1992 and £250m of Exchequer 10¼ per cent 2005, which will be made available to the market from tomorrow.

Gerrard & National up

The recent run of poor trading statements from Discount Houses—Clive and Smith St Aubyn last week revealed reduced dividends and sizable annual losses—was halted by Gerrard and National. The group announced an increased final dividend and profits together with an accompanying bullish statement and subsequently advanced to 353p before closing 12 to the good at 350p. Cater Allen, annual results scheduled for tomorrow, gained 10 to 520p, while Smith St Aubyn rallied a couple of pence to 49p and Union added 5 at 705p. Elsewhere, Henry Ansbacher improved 2 to 65p on confirmation of the refinancing proposals. Woodchester Investments firmed 3 to 156p in response to bumper profits and proposed 100 per cent scrip-issue.

Marketing consultancy group Holmes and Marchant staged an impressive debut in the Unlisted Securities Market; the shares opened some 110p above the placing price of 300p and settled at 375p for a first-day premium of 75. Among other recently-issued equities, Anglo Plantations gained 11 to 93p on news that Rea Holding are interested in 6m shares.

Greenall Whitley fell 9 to 175p after disappointing interim figures, but other Breweries made useful progress ahead of Bass's half-year figures, due today. Bass touched 577p before closing 7 higher at 572p, while Allied Lyons put on 2 to 193p, after 194p; the latter's annual results are scheduled for May 28. Scottish and Newcastle added 2½ at 138½p and *Wolverhampton and Dudley* gained 6 to 320p.

Leading Buildings remained in fine fettle following a couple of brokers circulars. Once again stock shortages often exaggerated gains and the issues specially recommended by brokers were well to the fore. RMC gained 8 more to 404p as did Tarmac, to 592p. Revived takeover speculation lifted Rugby Portland Cement 5 to 128p, while recently-overlooked BPB Industries rose 12 to 270p. Among Contracting and Construction issues, Taylor Woodrow were prominent, at 442p, up 20, while Costain gained 12 to 390p. John Laing firmed 12 to 232p and Alfred McAlpine improved 6 to 252p. Timber group Meyer International, in which Australia's Adelaide Steamship has built up a 4.87 per cent stake, moved ahead to 147p before profit-taking left the close 2 cheaper on *balance at 140p.*

ICI remained a subdued market and fluctuated narrowly before edging ahead late in the session to close 5 dearer on balance at 758p. Elsewhere, recently-firm Amersham International encountered profit-taking and shed 10 to 358p.

John Menzies good

Debenhams remained the centre of attention in Stores as speculation continued of an imminent bid from Burton, or a £600m plus management buy-out. The shares rose to a new peak of 332p before closing 4 up on the day at 327p. Elsewhere, Habitat Mothercare, helped by European expansion plans, closed 6 to the good at 362p, while Gussies A firmed the same amount to 813p. John Menzies jumped 13 to 296p on takeover hopes, while news of the acquisition of Early Learning for £8.4m lowered Fine Art Developments 3 to 88p, after 92p. Talk of a bid from *Guinness, or* an American source, lifted W. H. Smith A 12 more to 250p, Goodman Brothers also attracted speculative support and finished 2½ dearer at 20p. I. J. Dewhirst added 5 at 101p, but profit-taking in the wake of the results left Goldsmith 11 lower at 223p. Peters Stores *gave* up 10 at 76p following the liquidation of speculative positions.

Electricals remained a sensitive market, with Plessey trading nervously at 170p, down 4, awaiting tomorrow's preliminary statement. British Telecom encountered persistent small selling and gave up 2 *further* at 156p. Elsewhere, the distribution agreement with IBM of Germany failed to help Micro Focus which eased 10 to 365p. Microlease were vulnerable and gave up 15 at 280p.

A little more interest developed for the Engineering leaders. Vickers, still reflecting the Reliance Group Holdings' stake and nationalisation compensation hopes, revived with a rise of 14 at 338p, while TI revived 6 to 258p. Hawker, 437p, and GKN, 322p, improved 7 and 4 *respectively. Elsewhere,* Bromsgrove were noteworthy for a gain of 5 to 32p along with Richards (Leicester), 6 dearer at 43p. Buyers also showed interest in Ransomes Sims, which gained 7 to 110p, while IMI hardened a couple of pence following the chairman's statement at the annual meeting. Spencer Clark Metals responded to the half-year figures, closing 5 up at 50p.

Among Food Retailers, annual profits broadly in line with market estimates failed to benefit J. Sainsbury which slipped to 340p prior to closing a couple of pence cheaper at 342p. Buyers instead favoured Tesco, up 7 at 255p, and Associated Dairies, a couple of pence dearer at 156p. Takeover favourite Hillards revived strongly and gained 17 to 392p in a restricted market, while Dee Corporation rose 8 to 250p on talk that the company had placed its holding of 17½m Booker McConnell shares; Booker closed 7 higher at 362p. Ranks Hovis McDougall touched 172p on news of much-better-than-expected interim profits, but a bout of profit-taking left the close a couple of pence cheaper on balance at 163p.

Hotels featured Ladbroke which advanced strongly following a broker's seminar to close 17 higher at the day's best of 285p.

Fisons good

Leading miscellaneous industrials rarely strayed *from their* previous closing levels. Metal Box, however, were supported and put on 13 to 400p, while Pilkington Bros, put forward recently as a possible bid target for Hanson Trust, eased to 298p before rallying smartly to close slightly firmer at 308p. Elsewhere, Fisons featured a jump of 18 to 345p following the announcement at the annual meeting of a new drug for the treatment of allergic diseases. Brammer advanced 28 to 348p amid further bid speculation, while Press mention left Christies International 17 to the good at 560p. F. H. Tompkins new nil-paid shares responded put on 14 to 54p premium and the old shares were a like amount dearer at 204p. Barham featured a fresh rise of 38 to 638p, while country buying left Steeley 9 up at 314p. Sketchley took a turn for the better and rallied 8 to 328p; the preliminary results are due next month. Other bright spots included Appledore, 8 higher at 272p, and Sale Tilney, 13 dearer at 243p. Further consideration of the proposal to acquire an 80 per cent stake in TriTrade left Fergabrook 5 better at 87p. In contrast, comment on the preliminary figures prompted a reaction of 8 to 59p in Nu-Swift.

The unwinding of speculative positions in the wake of the impressive interim results left casino group Aspinall Holdings 11 down at 160p.

Takeover favourite DRG returned to prominence in Paper/Printings, rising 6 to 176p, after 180p, on revived speculative demand. Saatchi Saatchi advanced 25 to 650p in reply to bumper first-half profits.

A couple of firm features emerged among secondary Property issues. Regalian rose 12 to 120p in belated response to a broker's seminar, while City Site Estates gained 8 to 88p on good half-yearly results and a confident statement.

Coats Patons featured Textiles, rising 10 to 149p, after 151p, on demand aroused by news of a stockbroker's lunch with the company.

In *Financial Trusts,* Britannia Arrow improved 2 to 109p, after 11p, on revived takeover speculation. M and G Group jumped 50 to 675p and Exco on 10 to 695p.

Shell firm

The oil majors were quietly mixed. Shell fluctuated between 715p and 723p before settling a net 7 firmer at 720p; first quarter results, of which market *estimates of net income range from* £900m to £1.18bn, are expected to be announced at 9.30 am this morning. Royal Dutch hardened ¼ to £46¼. LASMO initially eased to 300p before rallying to close unchanged on balance at 303p following the annual meeting while profit-taking lowered Burmah Oil 4 to 282p.

Among secondary issues British Borneo moved up 7 to a 1985 high of 30p following the increased profits and dividends. Falcon Resources were persistently sold and closed 25 lower at 330p while Firstland Oil and Gas ran back 10 to 345p. Takeover *favourite* Caledonian Offshore fell to 520p early on but recovered well to close unchanged on balance at 535p.

A *favourable* broker's circular and the rising international commodity price induced renewed demand for Tea Stocks. McLeod Russel led the way with a rise of 18 at 315p, while Eastern Produce advanced 15 to 340p and Plantation and General improved 5 to 300p.

Golds lower

The poor showing by bullion in New York overnight—the *metal* price *dipped sharply* to $314 an ounce having closed at $323.25 in London on Monday—unsettled all the major sectors of mining markets. Bullion closed a net $5.75 easier at $317.5.

South African golds were marked down at the outset and continued to lose ground following the emergence of persistent small selling from a number of Continental sources. However, the appearance of renewed South African support, encouraged by the cut in domestic interest rates, announced on Monday afternoon, helped steady prices during the afternoon and most issues closed above the day's lowest levels. The Gold Mines index showed an 8.0 decline to 481.5.

Randfontein dipped to around £85 at one point but subsequently rallied to close only £1½ down on balance at £86, while Vaal Reefs were a similar amount cheaper at £74¼. Falls in the region of a point were common to Southvaal, £35½, and Eastern Transvaal, £13¾.

South African Financials attracted late demand *from* Johannesburg and Anglo American settled ½ better at a year's best of £11¾. Amgold closed ½ easier at £71½, after £70¾, but De Beers rallied from 422p to close a fraction up at 430p.

UK-domiciled Financials lost ground in line with Golds. Consolidated Gold Fields dropped 13 to 537p, while falls of around 3 were common to Charter Consolidated, 192p, and Rio Tinto-Zinc, 612p.

Australians moved narrowly but generally showed a majority of small losses reflecting the down turn in overnight Sydney and Melbourne markets.

Demand for Traded Options improved with 7,414 contracts struck. British Telecom attracted 1,195 calls, 362 in the May 140s and *342 in* the August 180s and 475 puts.

FINANCIAL TIMES STOCK INDICES

	May 21	May 20	May 17	May 16	May 15	May 14	year ago
Government Secs.	50.91	80.85	90.50	80.37	80.57	80.72	79.30
Fixed Interest	65.79	85.63	85.34	85.52	85.50	85.53	84.12
Ordinary	1020.2	1016.0	1008.3	1012.5	1022.3	1019.3	856.5
Gold Mines	481.6	489.5	494.1	493.8	495.9	611.3	655.2
Ord. Div. Yield	4.54	4.56	4.39	4.58	4.47	4.52	4.58
Earnings, Yld.% (full)	11.46	11.50	11.54	11.50	11.29	11.55	10.61
P/E Ratio (net) (*)	10.65	10.59	10.57	10.00	10.88	10.75	11.36
Total bargains (Est.)	24,281	27,155	24,479	26,740	28,607	22,551	21,464
Equity turnover £m.	—	356.72	575.56	445.67	456.2	487.0	289.57
Equity bargains	—	28,785	24,657	92,995	25,769	92,398	16,868
Shares traded (ml)	—	193.1	213.5	246.3	229.8	957.7	155.7

10 am 1021.4. 11 am 1017.8. Noon 1018.3. 1 pm 1018.3.
2 pm 1019.3. 3 pm 1019.3.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=10.29.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	82.00 (13/4)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	85.12 (22/4)	82.17 (28/1)	150.4 (28/11/47)	50.33 (3/1/75)
Ordinary	1024.6 (22/1)	228.7 (8/1)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	636.9 (15/4)	459.5 (25/1)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	May 20	May 17
Daily Gilt Edged Bargains	161.0	121.2
Equities Bargains	186.4	159.8
Equities Value	721.1	753.0
5-day Average Gilt Edged Bargains	152.1	134.6
Equities Bargains	170.0	156.4
Equities Value	856.7	890.2

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (130)

BRITISH FUNDS (5)
CORPORATION LOANS (3)
CANADIANS (1)
BANKS (3)
BREWERS (3)
BUILDINGS (14)
CHEMICALS (1)
STORES (14)
ELECTRICALS (3)
ENGINEERING (11)
FOODS (6)
HOTELS (1)
INDUSTRIALS (23)
INSURANCE (1)
LEISURE (2)
MOTORS (3)
NEWSPAPERS (4)
PAPER (5)
PROPERTY (5)
TEXTILES (3)
TRUSTS (14)
OILS (2)
MINES (3)

NEW LOWS (23)

[illegible]

INSURANCE (1)
Minet Hldgs.
LEISURE (2)
HTV N/V — Piccadilly Radio N/V
PROPERTY (2)
Edmond Hldgs. — Markheath
TRUSTS (2)
Gresham House — Japan Assets 4½pc Cnv.t.a. 1994
OILS (1)
Warrior Resources
MINES (3)
Stilfontein — Southern Goldfields
Pengkalen

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Aspinall	160	−11
Caledonian Offshore	535	—
Christies International	560	+17
Fergabrook	87	+5
Goldsmiths	223	−11
Greenall Whitley	175	−9
Ladbroke	285	+17
Meyer International	140	−2
Pilkington Bros	308	+1
Racal Elects	198	+5
Weir	63½	+3½
Wimpey (Geo)	123	−2

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	51	15	40
Corpns. Dom. and Foreign Bonds	23	1	51
Industrials	352	202	898
Fin. and Props.	182	54	332
Oils	20	20	86
Plantations	5	—	12
Mines	25	74	51
Others	115	24	96
Totals	753	391	1,586

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tues May 21 1985

[illegible]

FIXED INTEREST

[illegible]

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. o Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully-paid. ‖‖ Introduction. ✻ Unlisted Securities Market. § Placing price. T Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3).

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
May 20	June 7	Aug 29	Sept 9
June 10	June 21	Sept 12	Sept 23
June 24	July 5	Sept 26	Oct 7

For rate indications see end of Share Information Service

Stocks to attract money for the call included Combined Technology, Conroy Petroleum, Burmah Oil, Bula Resources, Johnson and Firth Brown, Brook Street Bureau, Crystalate, Birmid Qualcast, Polly Peck, Newman Industries, C. H. Bailey, Weir Group, United Scientific, British Oil and Minerals, Mercantile House, Inter-City and Spencer Clark Metal Industries. Phoenix Timber and Clayton Son were dealt in for the call, but no double options were reported.

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Debenhams	18	323	+15
Oceon Inds	18	100	—
Meyer Intl	17	142	+15
British Telecom	16	158	−2
Tomkins F.H.†	16	40pm	—
Cable & Wire	15	570	−5
Cooper Inds	15	20	+4
P. & O. Dfd.	13	373	+16
Stat-Plus	15	163	+21
Viewplan	14	116	—
Bank Scotland†	12	163pm	+6
Brammer	12	320	+19
Pentland Inds	12	675	−36
Thorn EMI	12	448	+5

† Nil-paid

LONDON TRADED OPTIONS

[illegible]

May 21. Total contracts 7,414. Calls 4,999. Puts 2,415.
* Underlying security price.

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 26,225

A=Ask B=Bid C=Call P=Put

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
[illegible]	[illegible]	Treas 11½pc 1985	[illegible]	—	[illegible]	12.69
[illegible]	[illegible]	Treas 8¾pc Cnv '85	[illegible]	—	[illegible]	12.25
[illegible]	[illegible]	Exch. 12¼pc 1985	[illegible]	—	[illegible]	12.15
[illegible]	[illegible]	Exch. 11¼pc '86	[illegible]	—	[illegible]	11.81
[illegible]	[illegible]	Treas 10pc Cnv 1986	[illegible]	—	[illegible]	11.69
[illegible]	[illegible]	Treas 3pc 1986	[illegible]	[illegible]	[illegible]	8.88
100	[illegible]	Exch. 10½pc Cv '86	[illegible]	[illegible]	[illegible]	11.65
[illegible]	[illegible]	Treas 12pc 1986	[illegible]	[illegible]	[illegible]	11.65
[illegible]	[illegible]	Treas 8½pc 1984-86‡‡	97	—	[illegible]	11.38
[illegible]	[illegible]	Exch. 14pc 1986	103	[illegible]	[illegible]	11.62
[illegible]	[illegible]	Exch. 2½pc 1986	[illegible]	[illegible]	[illegible]	8.46
[illegible]	[illegible]	Exch. 13¼pc 1987	[illegible]	[illegible]	[illegible]	11.60
[illegible]	[illegible]	Treas 10¼pc Cv '87	98	[illegible]	10.46	11.51
[illegible]	[illegible]	Exch. 2½pc 1987	[illegible]	—	2.78	8.73
[illegible]	[illegible]	Exch. 10½pc 1987	[illegible]	[illegible]	10.67	11.46
95	89	Fund. 6½pc '85-87‡‡	93	[illegible]	7.00	10.64
[illegible]	[illegible]	Treas. 10pc 1987	[illegible]	[illegible]	10.28	11.53
[illegible]	[illegible]	Treas 3pc 1987	[illegible]	[illegible]	3.37	8.80
[illegible]	[illegible]	Treas. 12pc 1987	[illegible]	[illegible]	11.87	11.42
[illegible]	[illegible]	Treas 7¾pc 1985-88‡‡	[illegible]	[illegible]	8.35	10.86
[illegible]	[illegible]	Exch 10½pc '88	[illegible]	—	10.73	11.36
[illegible]	[illegible]	Treas 9¾pc Cv '88	[illegible]	—	10.17	11.40
[illegible]	83	Transport 3pc '78-88	[illegible]	[illegible]	3.54	8.90
[illegible]	[illegible]	Treas 9½pc '88	[illegible]	[illegible]	10.05	11.47
[illegible]	[illegible]	Treas 11½pc 1989	[illegible]	[illegible]	[illegible]	11.43
[illegible]	[illegible]	Treas 9½pc Cnv. '89	[illegible]	—	[illegible]	11.47
[illegible]	79	Treas 3pc 1989	[illegible]	[illegible]	[illegible]	9.34
[illegible]	94	Treas 10½pc 1989	[illegible]	[illegible]	[illegible]	11.52
[illegible]	92	Exch.10pc 1989	[illegible]	[illegible]	[illegible]	11.57
[illegible]	95	Exch 11pc 1989	[illegible]	[illegible]	[illegible]	11.45
[illegible]	79	Treas 5pc 1986-89	[illegible]	[illegible]	[illegible]	9.92
[illegible]	[illegible]	Treas 13pc 1990‡‡	[illegible]	[illegible]	[illegible]	11.32
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]	—	[illegible]	11.45

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BEERS, WINES—Cont.

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

OVERSEAS TRADERS

1985 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's	P/E
101½	60	African Lakes	93	.....	h1.25	8.2	1.9	6.8
39	25	Borthwick (Thos.) 10p	37	.....	0.5	5.3	1.9	10.4
95	62	Boustead 10p	75	.....	—	—	—	—
156	122	Finlay (James)	139	.....	¶13.67	2.3	3.8	13.2
5	3½	First Pacific Int 5c	4½	.....	9012c	6.7	2.1	0.1
170	139	Gill & Duffus	147xd	+7	10.0	1.7	9.7	7.6
£61½	£50½	Gt. Nthn. £10	£58½	.....	012%	1.6	2.1	54.0
475	420	H'rris'ns. Cros. £1	450	−2	H20.0	1.2	6.3	21.2
455	380	Inchcape £1	380xd	.....	18.15	q1.3	6.0	(14.5)
32	26	Jacks Wm.	29	−1	1.0	♦	5.0	♦
190	159	Lonrho	173	.....	§10.0	1.6	8.3	(9.0)
65	42	Mesco Invests.	60xd	+5	3.5	—	8.3	—
52	44	Ocean Wlsn. 20p	53	.....	2.95	1.1	8.3	(14.9)
165	127	Pat'son. Zoch. 10p	165	.....	†5.15	4.8	4.5	5.0
165	124	Do. 'A' N/V 10p	165	.....	†5.15	4.8	4.3	5.0
*368	289	REA Hldgs.	328	−2	1.25	♦	0.3	♦
85	65	Sime Darby M$0.5	71	−1	vQ10.8c	1.6	4.7	13.4
575	465	Steel Bros.	535	−5	16.0	2.9	4.3	9.0
39	26	Tozer Kems. 20p	36	.....	—	—	—	5.1

PLANTATIONS

Rubbers, Palm Oil

1985 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
235	212	Anglo-Indones'n	212	.....	†4.0	2.1	2.7
5½	2½	Applied Botanics 2½p	4¼	.....	—	—	—
157	125	Bertam 10p	154	.....	gL17	1.0	1.1
117½	99	Cons. Plants M$0.5	104½	.....	vQ26c	1.1	7.9
14½	5	Grand Central 10p	12½	.....	—	—	—
143	110	Harrisons Mly. Pl. M$1	135	+1	†vQ19c	1.1	4.5
97	80	Highlands M50c	85	+1	vQ22.5	♦	8.4
106	86	Kuala Kepong M$1	92	.....	vQ15c	♦	5.2
66	54	Malay Plnt M$1	57	.....	vQ18c	1.3	10.0
90	74	Rowe Evans Inv. 10p	77	.....	1.35	2.1	2.5

Teas

1985 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
£10¼	920	Assam Doocrs £1	920	.....	9.0	♦	1.4
£19	£14¼	Lawrie Grp. £1	£17¼	.....	38.0	4.4	2.4
317	242	McLeod Russel £1	315	+10	h5.75	4.5	2.6
216	186	Do.8.4pcCnv.Pf. 90-92	210	+13	8.4%	7.6	3.7
815	730	Moran £1	785	.....	g12.0	♦	2.2
365	275	Plantation & Gen Inv.	300	+5	t5.0	3.1	2.4
630	480	Williamson £1	525	.....	20.0	3.9	5.4

MINES

Central Rand

1985 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
£13	940	Durban Deep R1	£12½	−¼	—	—	—
735	590	East Rand Prp. R1	618	−33	—	—	—
110	65	Egoli Cons.	90	−3	—	—	—
£95¾	£73¼	Randfont'n Est. R2	£86	−1½	†Q1200c	3.1	3.6
220	160	Simmer & Jack R0.02	228	.....	sQ10c	♦	2.0
481	336	West Rand R1	383	+4	Q80c	2.5	8.2

Eastern Rand

1985 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
186	134	Bracken 90c	145	−7	†Q58c	1.0	15.8
708	409	Cons Mod'fein 5c	639	+3	Q15c	♦	1.0
322	168	East Daggа R1	322	+20	—	—	—
£17½	£12¼	Eastern Trns. Co. 50c	£13¼	−½	†Q90c	5.1	—
489	378	ERGO R0.50	441	+4	Q62½c	2.5	5.7
829	588	Grootvlei 25c	667	−13	Q165c	1.2	9.8
£18¾	£12¾	Kinross R1	£16¼	−¼	†Q195c	1.5	4.0
236	200	Leslie 65c	231	+6	†Q67c	1.2	11.4
173	125	Marievale R0.25	147	−7	Q54c	1.0	14.5
279	209	S. African Ld. 35c	234	+2	Q40c	1.5	6.7
164	120	Viakfontein 35c	136	−10	sQ20c	0.9	6.0
£31¼	£21	Winkelhaak R1	£27½	+¼	†Q382c	1.2	5.5
107	47½	Wit. Nigel 25c	47½xd	.....	—	—	—

Far West Rand

1985 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
598	567	Blyvoor 25c	569	−4	Q175c	1.5	12.1
£37	£23¼	Buffels R1	£33	−¼	†Q570c	3.0	6.0
267	170	Deelkraal R0.20	243	−6	Q10c	2.7	1.6
£16¼	£11¼	Doornfontein R1	£14⅞	−⅛	Q200c	2.0	5.3
£23½	£20	Driefontein R1	£20½	−¼	†Q275c	1.3	5.3
748	525	Elandsrand Gld. 20c	706	−3	Q50c	2.1	2.8
257	179	Elsburg R1	212	−13	†Q32½c	1.0	6.2
522	369	Hartebeest 10c	451	−6	†Q72½c	1.6	6.3
£34¼	£30¼	Kloof Gold R1	£32½	+¼	†Q330c	1.7	4.0
£20¼	£15¼	Libanon R1	£19¾	−½	†Q250c	2.2	5.1
£41	£30¼	Southvaal 50c	£35½	−⅜	Q420c	1.0	4.7
885	628	Stilfontein 50c	628	−13	Q110c	1.1	19.5
£85½	£66⅝	Vaal Reefs 50c	£74¾	−1⅝	Q1340c	1.6	7.1
868	540	Venterspost R1	756	−12	†Q120c	1.5	6.3
416	278	Western Areas R1	344	.....	†Q50c	5.1	6.3
£39¼	£29	Western Deep R2	£36½	−½	Q450c	2.7	4.9
85	69¼	Zandpan 10c	75½	−4	Q12.2c	♦	6.5

D.F.S.

1985 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
385	236	Beatrix Mines	343	−5	—	—	—
600	500	Free State Dev. 50c	575	.....	†Q55c	1.1	4.1
£24⅝	£17½	FS Geduld 50c	£22¼xd	−½	†Q365c	2.4	6.5
£13¼	£10¼	Harmony 50c	£11⅞	−¼	Q240c	♦	8.0
425	225	Loraine R1	391	−8	—	—	—
£25½	£19¼	Pres. Brand 50c	£21⅞xd	−¼	†Q950c	3.4	6.3
£27¼	£21¼	Pres. Steyn 50c	£23¼xd	+¼	†Q450c	1.7	7.6
£16⅝	£12¼	St. Helena R1	£14⅞	−⅛	Q320c	1.0	8.3
888	598	Unisel	834	−31	†Q101c	1.2	4.0
696	588	Welkom 50c	648xd	−13	†Q146c	1.0	8.9
£29½	£23¼	W.Holdings 50c	£26⅝xd	−⅛	†Q565c	2.0	8.4

Diamond and Platinum

1985 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
£46¼	£37	Anglo-Am.Inv.50c	£43	.....	Q590c	1.0	5.9
450	340	De Beers Df. 5c	430	+2	Q40c	4.7	3.7
700	600	Do. 40pc Pf. R5	608	.....	Q200c	n	16.0
£11¼	830	Impala Plat. 20c	830	.....	Q135c	1.7	6.4
640	410	Lydenburg 12½c	560	−50	Q50c	♦	3.5
805	620	Rus. Plat. 10c	665	−5	†Q60c	1.0	3.6

Central African

1985 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
270	150	Falcon Z50c	170xd	.....	†100c	♦	30.3
14	12	Wankie Col. Z$1	15	.....	v05c	♦	20.9
19	13	Zam.Cpr.SBD0.24	17	.....	—	—	—

MINES—Continued

Miscellaneous

1985 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
55	37	Anglo-Dominion	43	.....	—	—	—
48	35	Anglo Utd. Dev.	37	.....	—	—	—
350	140	Centennial Min'ls.	165	.....	—	—	—
120	70	Colby Res Corp.	75	.....	—	—	—
550	450	Cons. Murch. 10c	450	.....	†Q100c	1.4	10.8
40	28	Emmes Int. Ir10p	34	.....	—	—	—
117	73	Greenwich Res. Inc.	110	+5	—	—	—
225	157	Hampton Areas 10p	190	−5	3.75	2.1	2.6
260	160	Highwood Res.	170	.....	—	—	—
£22½	£18	Homestake Mining $1	£19¼	+¼	Q30c	—	0.8
310	190	McFinley Red Lake	250	.....	—	—	—
300	195	Musto Explorations	260	−10	—	—	—
55	23	New Sabina Res C$1	45	.....	—	—	—
375	260	Northgate C$1	310	.....	—	—	—
685	581	RTZ	612xd	−2	20.0	2.7	4.7
£145½	£129	Do. 9½pcLn '95-2000	£133xd	+1	Q9½%	14.0	f7.3
£14	£10	Tara Expln $1	£13½	.....	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- "Tap Stock".
- Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- Not officially UK listed; dealings permitted under Rule 535(4)(a).
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Dealt in under Rule 535(3).
- Price at time of suspension.
- Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- Merger bid or reorganisation in progress.
- Not comparable.
- Same interim: reduced final and/or reduced earnings indicated.
- Forecast dividend; cover on earnings updated by latest interim statement.
- Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- H No par value.

B.Fr. Belgian Francs. Fr French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. N Net dividend and yield. N Preference dividend passed or deferred. C Canadian. E Tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. & Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. M Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend, xc ex scrip issue; xr ex rights; xa ex all, xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −	Stock	Price	+ or −
Albany Inv 20p	180	.....	Arnott	168xd	−1
Craig & Rose £1	£9	.....	CPI Hldgs	50	.....
Finlay Pkg. 5p	59xd	.....	Carrol Inds.	119	.....
Higsons Brew	160	.....	Dublin Gas	53	+1
Holt (Jos) 25p	740xd	.....	Hall (R. & H.)	55	.....
IoM Stm. £1	87	.....	Heiton Hldgs	17	+1
IRISH			Irish Ropes	43	.....
Fund 11¾% 1988	£96¼	.....	Jacob (W.& R.)	76xd	+1
Nat. 9¾% 84/89	£90½	.....	Unidare	83	−2
Fin. 13% 97/02	£99¾	+¼			

OPTIONS—3-month call rates

Industrials	F				
Allied-Lyons	16	GKN	17	Turner Newall	18
BAT	32	Hanson Tst.	17½	Unilever	85
BOC Grp.	25	Hawker Sidd	38	Vickers	19
BSR	16	Hse of Fraser	30	**Property**	
BTR	52	ICI	60	Brit Land	12
Babcock	14	'Imps'	18	Cap Counties	18
Barclays	48	Jaguar	28	Land Secs	25
Beecham	32	Ladbroke	24	MEPC	28
Blue Circle	45	Legal & Gen	50	Peachey	22
Boots	13	Lex Service	28	Samuel Props	14
Bowaters	20	Lloyds Bank	45	**Oils**	
Brit Aerospace	33	Lucas Inds.	25	Brit. Oil & Min	4
Brit. Telecom	11	Marks & Spcr	11	Brit Petroleum	42
Brown (J.)	3	Midland Bk	38	Burmah Oil	18
Burton Ord	39	NEI	8	Charterhall	6
Cadburys	14	Nat West Bk	60	Premier	5
Comm Union	19	P & O Dfd	34	Shell	68
Courtaulds	12½	Plessey	17	Tricentrol	18
Debenhams	17½	Polly Peck	26	Ultramar	19
Distillers	28	Racal Elect	18	**Mines**	
Dunlop	6	RHM	11	Charter Cons	18
FNFC	8½	Rank Org Ord	32	Cons Gold	44
Gen Accident	45	Reed Intnl	50	Lonrho	14
Gen Electric	17	Sears	8	Rio T Zinc	56
Glaxo	83	TI	20		
Grand Met	25	Tesco	20		
GUS 'A'	68	Thorn EMI	35		
Guardian	60	Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 34

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

WORLD STOCK MARKETS

OVER-THE-COUNTER

Continued from Page 32

Stock	Sales (Hnds)	High	Low	Last	Chng
LizCla s .35	894	41¼	40¾	41¼	+¼
LoanA	5	14⅞	14⅞	14⅞	+⅞
LocalF .07e	62	17½	17¼	17¼	
LondnH	14	8	6	8	
LongF 1.28	59	22¾	22	22¼	−¼
Lotus	3014	31½	30¾	31	−¼
Lynden	2	24½	24½	24½	
Lypho s	182	18½	18¼	18¼	

Stock	Sales (Hnds)	High	Low	Last	Chng
MagGp .68	13	13	12½	15	
MaineN 1.20	21	37	36¾	37	
MajRt	188	8⅞	8¼	8⅞	+⅛
Malrite .01s	43	17⅛	16⅞	16⅞	−⅛
MgtSci	1739	14½	14	14⅛	−⅛
Manitw .80	229	22½	22¼	22¼	−¼
MarinH s	231	25¾	23½	23½	−1½
MrnN 2	30	58¼	58	58	
Marcus .28e	7	16¾	16¾	16¾	+¼
Margux	20	7⅜	7½	7⅜	
MarnC s 1.40	80	29⅜	29¼	29⅜	−⅛
MTwen .80	4	19¾	19¾	19¾	−½

Stock	Sales (Hnds)	High	Low	Last	Chng
Nike B .40	3350	11⅛	10⅞	10¾	−½
Nobel .24e	132	11¼	11	11¼	+¼
Nodway 1	17	5⅞	5⅞	5⅞	+⅜
Noland .56	17	24¾	24	24¾	
Nordsn .66	12	19½	18½	19½	+½
Nordstr .44	1022	47½	46¼	46½	−⅝
Norsk 6 .19e	68	42½	41⅞	42⅜	+⅛
Norstan	255	7½	7¼	7½	
NoANat .01r	17	9½	9	9⅛	−⅛

Stock	Sales (Hnds)	High	Low	Last	Chng
PricCm s	96	10¼	10	10¼	
PricCo s	815	61	60	60	−¾
PrinvD .16	86	6½	6⅜	6⅜	−⅛
Prironx	102	12¼	11¼	11½	−⅛
Prodigy	23	4⅛	4⅛	4⅛	
ProdOp .18	15	5½	5⅜	5⅜	
Proinv	7	5⅜	5¼	5¼	−⅜
ProfitS .40	116	12	11	11	−1
ProgSys	1	5⅛	5⅛	5⅛	−⅛

Continued on Page 42

Indices

NEW YORK DOW JONES

	May 21	May 20	May 16	May 15	May 14	May 13	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	1,309.7	1,304.88	1,278.05	1,273.52	1,273.3	1,277.5	1299.36 (1/3)	1184.96 (4/1)	1299.36 (1/3/85)	41.22 (2/7/32)
Transport	626.22	626.89	617.58	611.16	609.72	617.38	635.20 (1/3)	553.63 (4/1)	635.38 (1/3/85)	12.32 (8/7/32)
Utilities	163.57	164.70	151.83	158.21	159.70	158.85	159.73 (16/5)	146.54 (4/1)	163.72 (20/4/69)	10.5 (28/4/42)
Trading vol	–	147.2m	124.5m	106m	97.3m	85.8m	–	–	–	–

	May 10	May 3	Apr 26	Year Ago (Approx)
Ind Div Yield %	4.81	4.80	4.78	4.78

STANDARD AND POORS

	May 21	May 20	May 16	May 15	May 14	May 13	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	210.82	209.86	205.27	204.28	203.48	204.35	205.15 (1/3)	182.24 (4/1)	205.15 (1/3/85)	3.62 (30/6/32)
Composite	186.64	188.72	185.66	184.54	183.87	184.61	184.61 (13/5)	163.68 (4/1)	184.61 (13/5)	4.40 (1/6/32)

	May 15	May 8	May 1	Year Ago (Approx)
Ind div yield %	3.84	3.92	5.93	4.10
Ind. P/E Ratio	11.37	11.14	11.20	12.13
Long Gov Bond Yield	10.98	11.33	11.33	15.33

N.Y.S.E. ALL COMMON

May 21	May 20	May 19	May 15	1985 High	1985 Low
109.55	108.72	107.58	106.87	106.87 (15/5)	94.58 (4/1)

RISES AND FALLS

	May 20	May 17	May 16
Issues traded	2,046	2,018	2,001
Rises	1,279	1,144	1,009
Falls	418	441	555
Unchanged	351	434	437

New York Active Stocks

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
Signal	1,889,800	41½	−⅛	AM Express	1,276,800	46½	−⅛
ATT	1,595,900	24	−⅛	Mobil	1,234,800	21	+⅝
Phil Ele	1,414,900	15⅝	−⅝	Pan Am Corp	1,182,900	6⅜	+⅛
East Kodak	1,406,600	44	+⅞	Hewlt-Pack	1,178,100	34¼	−1¾
Dominion R	1,327,300	32⅝	+⅞	ATL Rich	1,167,800	61⅜	−⅛

Advances 744 Declines 784

TORONTO

	May 21	May 20	May 16	May 15	1985 High	1985 Low
Metals & Minls	2,053.8	closed	2,015.6	1,997.5	2190.7 (13/2)	1886.0 (4/1)
Composite	2,738.7	closed	2,705.6	2,672.2	2672.2 (15/5)	2348.5 (8/1)
MONTREAL Portfolio	135.85	closed	133.11	131.12	132.77 (5/3)	117.80 (4/1)

* Indicates pre-close figure

	May 21	May 20	May 17	May 16	1985 High	1985 Low
AUSTRALIA						
All ord. (1/1/80)	898.0	894.8	901.9	902.7	904.5 (20/5)	715.8 (7/1)
Metals & Minls. (1/1/80)	874.1	585.8	579.2	582.0	585.8 (20/5)	382.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	95.09	94.47	95.68	(c)	95.38 (10/5)	58.21 (24/1)
BELGIUM						
Brussels SE (1/1/80)	2255.78	2250.51	(c)	(c)	2318.85 (13/5)	2090.7 (18/1)
DENMARK						
Copenhagen SE (5/1/83)	189.86	(u)	189.01	(c)	192.79 (24/4)	158.44 (9/1)
FRANCE						
CAC General (31/12/82)	223.0	221.5	221.1	(c)	225.8 (21/5)	190.8 (3/1)
Ind Tendance (28/12/84)	124.2	123.2	123.2	(c)	124.2 (21/5)	100.1 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	438.55	437.06	432.75	(c)	438.63 (21/5)	382.59 (3/1)
Commerzbank (1/12/53)	1285.6	1276.5	1254.7	(c)	1285.8 (21/5)	1111.8 (3/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1612.22	1636.47	1647.86	1635.89	1647.86 (17/5)	1220.74 (2/1)
ITALY						
Banca Comm Ital. (1972)	316.74	317.40	317.51	316.42	318.74 (21/5)	228.56 (2/1)
JAPAN**						
Nikkei-Dow (16/5/49)	12650.37	12659.1	12420.0	12389.3	12685.3 (3/4)	11545.2 (5/1)
Tokyo SE New (4/1/68)	991.22	996.07	974.95	968.06	1006.96 (22/3)	916.95 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	206.3	207.8	207.9	(c)	215.0 (8/5)	185.6 (3/1)
ANP-CBS Indust (1970)	170.7	170.5	171.1	(c)	175.2 (7/5)	147.9 (3/1)
NORWAY						
Oslo SE (4/1/83)	341.52	336.73	(c)	(c)	345.6 (8/2)	288.18 (2/1)
SINGAPORE						
Straits Times (1966)	825.56	828.38	822.30	825.82	852.85 (7/3)	784.88 (15/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1088.8	1075.5	(c)	1140.8 (15/4)	896.1 (11/2)
JSE Indust (28/9/78)	—	842.5	882.1	(c)	842.5 (20/5)	767.1 (7/3)
SPAIN						
Madrid SE (28/12/84)	116.77	116.87	119.80	111.41	117.41 (4/2)	101.48 (2/1)
SWEDEN						
Jacobson & P (11/58)	1396.86	1417.55	1401.95	(c)	1486.98 (11/2)	1381.80 (2/1)
SWITZERLAND						
SwissBank Cpn. (31/12/58)	435.2	432.3	431.1	(c)	435.2 (21/5)	386.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	—	212.5	209.7	207.8	212.8 (21/5)	194.8 (4/1)

** Saturday May 18: Japan Nikkei-Dow 12,516.11. TSE 982.93.

Base value of all indices are 100 except JSE Gold—255.7. JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

FT COMMERCIAL LAW REPORTS

Improbable submarine not a 'peril'

THE POPI M

House of Lords (Lord Fraser of Tullybelton, Lord Diplock, Lord Roskill, Lord Brandon of Oakbrook and Lord Templeman): May 16 1985

IN DECIDING whether on the balance of probabilities a ship was lost by "perils of the sea," the court is entitled to hold that there is doubt as to the real cause of loss, and that the shipowners have therefore failed to discharge their burden of proof; and if the evidence points to such a conclusion, the court may not hold that the ship was lost for a particular cause which it considers improbable on the ground only that all other possible causes have been eliminated.

The House of Lords so held when allowing an appeal by Mr Herbert David Edmunds and *Fenton Insurance Company Ltd*, hull underwriters, from the Court of Appeal decision upholding Mr Justice Bingham's judgment in two consolidated actions *[1983] 2 Lloyd's Rep 235* that they were liable to Rhesa Shipping Company SA and others, owners of the Popi M, in their claim for loss of the ship by perils of the sea.

* * *

LORD BRANDON said that the Popi M was an old ship built in 1952. By 1976 she had become very seriously run down. Since then she had been repaired in an unmethodical way, but the ship as a whole, and her shell plating in particular, were still in a generally wasted condition.

On July 29 1978, Popi M left Rouen with a cargo of sugar bound for the Yemen. During the voyage she experienced good weather and light seas except for a few days after passing Ushant and entering the Bay of Biscay.

On August 5 she was in the Mediterranean, opposite the coast of Algeria. At about 10.50 am there was a loud noise with accompanying vibration, and large quantities of sea water gushed into the engine room thorough an aperture in the shell plating.

The main part of the aperture was vertical, extending from below the plates forming the floor of the engine room, and running about two metres up the ship's side. There was also a smaller horizontal aperture.

Upon entry of the water the pumps were put on to the engine room bilges, but could not cope with the flow. At about noon an order to abandon ship was given. The crew went into lifeboats, and were later picked up by e British tanker. At about 6.15 pm the ship sank.

The shipowners claimed against hull underwriters for the alleged total loss of the ship by perils of the sea. They succeeded before Mr Justice Bingham, and an appeal by the underwriters to the Court of Appeal was dismissed. The underwriters now brought e further appeal.

The sole question was whether on the facts found, Mr Justice Bingham and the Court of Appeal were justified in drawing the inference thet the ship was, on a balance of probabilities, lost by perils of the sea.

*

In approaching the question it was important that two matters should be borne constantly in mind.

The first was that the burden of proving, on a balance of probabilities, that the ship was lost by perils of the sea, remained throughout on the shipowners. Although it was open to underwriters to suggest or to seek to prove some other cause of loss, there was no obligation on them to do so. Moreover, if they chose to do so, there was no obligation on them to prove, even on e balance of probabilities, their alternative case.

The second matter was that it was always open to a court to conclude that the proximate cause of a ship's loss, even on a balance of probabilities, remained in doubt, with the consequence that shipowners had failed to discharge the burden of proof.

In *La Compania Martiartu [1923] 1 KB 650* Lord Justice Scrutton said that "if . . . examination of all the evidence leaves the court doubtful what is the real cause of the loss, the assured has failed to prove his case."

While those observations were *obiter dicta* only, they correctly stated the law.

The shipowners felt bound to concede that two causes of the aperture, which they canvassed at one time, could be eliminated as impossible.

The first was collision with a submerged rock. That could be eliminated because the ship was navigating in a much-used lane and the charts showed deep water with no rocks. The second was collision with a floating object. That could be eliminated because such an object would have been washed clear of the ehip's side by the bow wave.

Elimination of those two possibilities left the shipowners with *only one remaining* possibility, namely collision with a submerged object.

An unarmed torpedo was mentioned but not treated as a serious possibility. That left, as the only remaining possibility, collision with a submerged submarine travelling in the same direction as the ship and at about the same speed.

The underwriters tried to prove as an alternetive cause of loss that prolonged wear and tear of the hull had resulted in the ship'e shell plating opening up under the ordinary action of wind and wave.

Although early in his judgment Mr Justice Bingham had referred to Lord Justice Scrutton's observations with regard to burden of proof in *La Compania Martiartu*, when be came later to the point of decision he did not seem to bave considered the solution contemplated in those observations.

Having set out seven cogent considerations which militated strongly against the submarine theory, be then went on to examine the wear and tear theory. His observetions were to the effect that be regarded himself as compelled to make e choice between those two theories. He failed to keep in mind the third alternative, that the shipowners bad failed to discharge the burden of proof.

With regard to the submarine theory, be stated that it was extremely improbable. With regard to the wear and tear theory, the shipowners contended that be had ruled it out as impossible. His language, bowever, was ambivalent, and it would be more accurate to say thet he regarded the wear and tear theory not as impossible, but as one in respect of which any mechanism by which it could have operated was in doubt.

Sir Arthur Conan Doyle in *The Sign of Four* described Sherlock Holmes as saying to Dr Watson: "How often have I said to you thet when you have elimineted the impossible, whatever remains, however improbable, must be the truth?"

It was no doubt on the basis of that well-known bot unjudicial dictum that the judge decided to accept tha submarine theory, even though he regarded it as extremely improbable.

*

There were three reasons why it was inappropriate to apply the Sherlock Holmes dictum in a case of the present kind. The first was that the judge was not bound always to make a finding one way or the other with regard to facts averred by the parties.

The second was that the dictum could only apply when all relevant facts were known so that all possible explanations, except a single extremely improbable one, could properly be eliminated.

That state of affairs did not exist in the present case. The ship sank in such deep water that a diver's examination of the nature of the eperture, which might have thrown light on its cause, could not be carried out.

The third reason was that the legal concept of proof of a case on the balance of probabilities must be applied with common sense. If a judge concluded on cogent grounds that the occurrence of an event was extremely improbable, e finding that it was nevertheless more likely to have occurred than not, did not accord with common sense.

Mr Justice Bingham adopted an erroneous approach by regarding himself as compelled to choose between two theories, both of which be regarded as extremely improbable, or one of which be regarded as extremely improbable end the other as virtually impossible.

*

He should beve borne in mind end considered carefully in his judgment the third alternative which was open to him, namely that the evidence left him in doubt as to the cause of the aperture in the ship's hull, and that in those circumstances the shipowners bad failed to discharge the burden of proof.

The Court of Appeal believed that as the judge had referred specifically to *La Compania Martiartu*, be could not have overlooked the alternative.

Having regard to the way in which Mr Justice Bingham expressed the view that be was compelled to choose between the submarine theory and the wear and tear theory, and at the point of decision did not discuss or consider the third possibility which was open to him, the conclusion was thet on this occasion even Homer nodded.

The Court of Appeal wrongly credited the judge with giving consideration to a solution of the case which, when coming to the point of decision, be did not discuss or even mention.

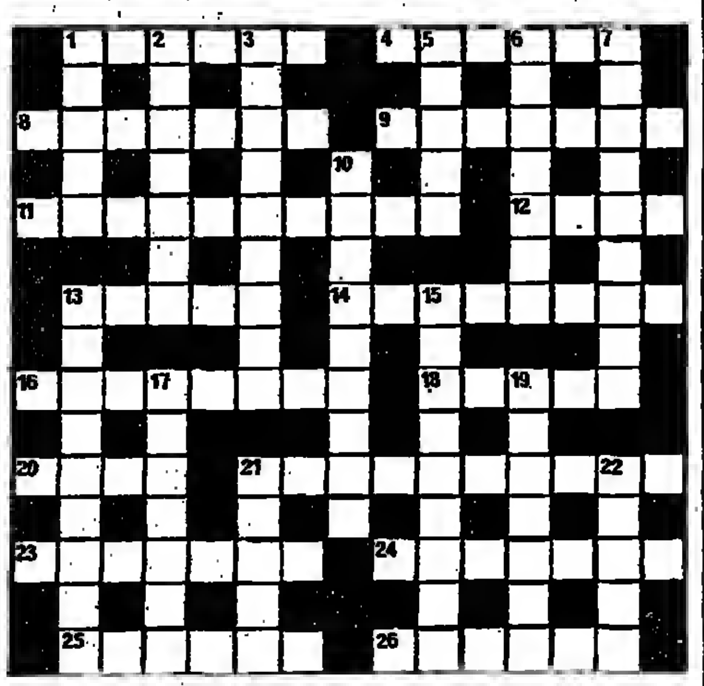
The appeal would be allowed. Lord Fraser, Lord Diplock, Lord Roskill and Lord Templeman agreed.

For the underwriters: Geoffrey Brice QC and Michael N. Howard (Hill Dickinson and Co.).

For the shipowners: Anthony Colman QC, Jonathan Gilman and Alan Pardoe (Horrocks and Co.).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,724



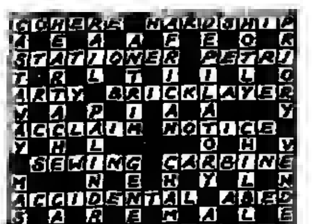
ACROSS

1 A singularly unwell American playwright (6)
4 From where the preacher gives advice on how to get rid of trashy literature (6)
8 An old Empire sofa (7)
9 Restaurant cutlery (7)
11 A vehicle drawn up in accordance with the law (10)
12 May be sheer, this promontory (4)
13 Country provides aid in some form (5)
14 There should be a flight to get you here (8)
16 Risk a wet form of sport? (5-3)
18 Three is an odd number (5)
20 Agreed, but not about being old (4)
21 Runs without running (10)
23 Proper sort of tea for a high churchman (7)
24 Yet it's a misplaced feeling of gratification (7)
25 Putting spirit into a severe beating (6)
26 Not a good mark to get (6)

DOWN

1 New duo to excel (5)
2 Having developed, went round topless! (7)
3 Times of scarcity won't worry Mr Sprat (4, 5)
5 American needs time for practice (5)
6 Tie up an unusually attractive plant (7)
7 Official makes rate reform more certain (9)
10 Careless way to get into debt (9)
13 Introductory speech, perhaps (9)
15 Firm revises dates quickly (9)
17 Sort of disease treated by District Nurses? (7)
19 Fish bone? (7)
21 Small staff a sports club takes on (5)
22 A bit above a walk-on part? (5)

Solution to Puzzle No. 5,723



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)(z)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd	64.6	68.8xd	+0.4	3.09
Accum Units	95.5	101.7	+0.6	3.09
Pearl Inc.	88.0	94.1xd	+0.8	5.0
Pearl Unit Tst.	94.6	100.7	+0.8	3.91
(Accum. Units)	157.8	167.9	+1.4	3.93

Perpetual Unit Trust Mngmt. (a) (z)
48, Hart Street, Henley on Thames. 0491 576868

Growth	181.9	195.2	+1.9	1.47
Income	138.7	148.5	+1.2	5.49
Worldwide Recovery	106.4	110.2	+0.8	2.08
American Growth	58.7	62.5	+1.1	0.67
Intl. Emerging Cos.	59.0	63.3	+0.6	0.79
Far East Growth Fd.	50.0	50.0	....	1.00

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	106.8	114.4	+1.5	0.38
Prolific Extra Inc.	62.7	66.7	+0.4	5.71
Prolific Gilt Cap.	78.1	81.3xd	+0.3	3.38
Prolific High Inc.	130.3	138.6xd	+0.4	5.00
Prolific Intl.	87.1	93.3xd	+0.9	1.51
Prolific N. Amer.	116.1	124.4xd	+1.4	1.90
Prolific Spec. Sits	150.7	160.3	+0.5	1.27
Prolific Technology	115.1	123.3	+1.3	0.80

Providence Capital Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	48.9	51.8	+0.5	0.19
Worldwide	48.2	51.1	+0.4	1.59
European Trust	47.1	49.9	+0.3	0.94
North American	51.7	54.7	+0.5	1.12
UK Equity	49.6	52.5	+0.6	3.06

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-69, Ilford Hill, Ilford, Essex, IG1 2DL. 01-478 3377

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants, SP10 1PG
0264 62188. Dealings to 0264 63432-3

TSB American	97.9	104.2	+2.2	1.19
Do. Accum.	100.7	107.2	+2.2	1.19
TSB Extra Income	87.3	92.9	+0.4	6.06
Do. Accum.	97.1	103.4	+0.5	6.06
TSB General	120.9	128.6	+0.6	3.27
Do. Accum.	192.9	205.2	+1.0	3.27
TSB Gilt & Fxd Int.	46.0	48.9xd	+0.2	9.95
Do. Accum.	55.6	58.0	+0.2	9.93
TSB Income	164.0	174.5	+1.3	4.85
Do. Accum.	242.2	257.7	+1.8	4.86
TSB Pacific	109.3	116.3	+0.8	1.07
Do. Accum.	111.5	118.2	+0.6	1.07
TSB International	229.1	243.8xd	+2.0	1.89
Do. Accum.	278.8	296.7	+3.5	1.89
Natural Resources	50.3	52.6xd	...	2.48
Do. Accum.	50.8	54.1	...	2.80
TSB Scotd. Oppt.	48.1	51.2	+0.1	2.39
Do. Accum.	51.7	55.0	+0.1	2.39

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 5941

Small Cos Fund	72.9	78.0	+1.3	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse. Rd, Aylesbury Bks (0296) 5941

American Eagle	68.4	73.2	+1.1	0.19
Australia	30.6	32.6	+0.1	0.18
Commodity	99.9	107.4	-0.4	1.55
Energy	47.1	50.4	...	0.65
Equity	103.2	110.1	+0.3	3.06
European Spec. Sits.	48.7	52.1	+0.2	0.96
Extra Income	88.2	94.3	+0.7	7.48
Financial	206.4	220.2	+1.3	2.90
Gilt Capital	209.9	219.8	+0.6	3.25
Gilt Income	100.3	105.0xd	+0.4	9.26
Gold Income	68.0	73.1xd	-2.4	3.92
Gold Acc.	122.9	132.2	-4.1	2.17

Black Horse Life Ass. Co. Ltd.
34ba, High St., Chatham 0634 405161

Black Horse Man. Fd.	296.82		+2.64	—
Managed Inv. Fd.	200.22	210.78	+2.00	—
Property Fd.	162.27	170.82	...	—
Fixed Interest Fd.	156.39	164.84	-1.29	—
Cash Fd.	149.04	156.89	...	—
Income Fd.	252.54	265.84	+6.37	—
Extra Income Fd.	234.38	246.72	+3.22	—
Worldwide Growth Fd.	239.04	251.63	+0.10	—
Balanced Fd.	241.12	253.82	+8.70	—
Smlr Co's & Recvy Fd.	287.48	302.63	+7.18	—
Int. Technology Fd.	267.45	281.53	-3.93	—
Nth. Amer. & Gen. Fd.	184.39	194.10	+0.18	—
Energy Int. Fd.	110.63	116.46	-1.45	—
Pacific Basin Fund	166.05	174.79	-2.19	—

British National Life Assurance Co. Ltd
Perrymount Road, Haywards Heath. 0444 414111

Managed Fd.	139.8	147.2	...	—
Property Fd.	141.3	148.8	...	—
Equity Fd.	176.9	186.2	...	—
New Tech Fd.	116.2	122.3	...	—
Intl. Fd.	152.7	160.8	...	—
Fixed Int. Fd.	121.1	127.5	...	—
Deposit Fd.	110.0	115.8	...	—
Managed Pens. Acc.	158.1	166.5	...	—
Managed Pens. Cap.	135.8	142.9	...	—
Property Pens. Cap	137.1	144.3	...	—
Equity Pens. Cap.	171.7	180.8	...	—

Credit & Commerce Life Ass. Ltd.
74, Shepherds Bush Green, W12 8SD 01-740 7070

CCL Money Fnd	132.0	140.0	...	—
CCL Gilt Edged Fnd	168.0	177.0	...	—
CCL Mngd Fnd Acc.	285.0	301.0	...	—
Henderson Managed	110.0	117.0	...	—
CCL Property Fd.	147.0	156.0	...	—

Crescent Life Assurance Co. Ltd.
10 George St, Edinburgh. 031 225 8494

Life Funds

Managed Fund	167.7	177.8	+0.5	—
UK Equity	199.0	211.7	+0.8	—
Property	165.3	175.4	...	—
Money Market	124.9	131.8	...	—
Fixed Int.	141.8	150.5	+0.4	—
Japan	179.0	189.9	+1.6	—
North America	147.2	156.5	+2.1	—
International	155.1	164.6	+0.2	—
Natural Res.	95.5	101.4	+0.4	—
European	98.9	104.4	+0.1	—
Far East	95.4	100.7	-1.0	—
High Technology	87.9	92.7	...	—
Special Situations	101.9	107.6	-0.1	—

Pension Funds

Managed (z)	99.1	104.5	+0.2	—
International (z)	92.1	97.1	+0.9	—
Property (z)	99.8	104.9	—	—
Money Market (z)	99.8	104.9	...	—
Fixed Interest (z)	98.9	104.2	+0.1	—

Manufacturers Life Insurance Co (UK)
St George's Way, Stevenage. 0438 356101

Managed	284.2	299.2	...	—
Property	229.6	241.7	...	—
Equity	309.1	325.4	...	—
Gilt Edged	289.9	305.2	...	—
Deposit	170.3	179.3	...	—
Investment	128.4	134.8	...	—
International	240.3	252.9	...	—

Pension Fund Prices

Managed Init.	205.2	—	...	—
Do. Accum.	292.0	—	...	—
Property Init.	192.3	—	...	—
Do. Accum.	217.4	—	...	—
Equity Init.	236.0	—	...	—
Do. Accum.	266.5	—	...	—
Gilt-Edged Init.	185.5	—	...	—
Do. Accum.	209.0	—	...	—
Guaranteed Init.	131.8	—	...	—
Do. Accum.		149.1	...	—
International Init.		293.5	...	—
Do. Accum.		331.7	...	—
Index Lk. Gilt Init.		119.5	...	—
Do. Accum.		136.1	...	—

Property Equity & Life Ass. Co.
Baxter Ave, Southend SS2 6QH. 0702 333433

R. Silk Prop. Bond		272.2	...	—
Int. Man. Cmdy. Bd. Fd.		109.6	...	—
Flexible Prop. Bd. Fd.		132.4	...	—
Flexible Money Bd. Fd.		263.9	...	—

Property Growth Assur. Co. Ltd.
Leon House, Croydon CR9 1LU. 01-680 0606

Property Fund		292.7	...	—
Property Fund (A)		288.7	...	—
Agricultural Fund		1045.7	...	—
Agric. Fund (A)		1010.7	...	—
Abbey Nat. Fund		243.3	...	—
Abbey Nat. Fd. (A)		239.7	...	—
Investment Fund		158.5	...	—
Investment Fund (A)		154.9	...	—
Equity Fund		365.4	+3.8	—
Equity Fund (A)		352.8	+3.6	—
Money Fund		243.3	...	—
Money Fund (A)		237.9	...	—
Actuarial Fund		279.5	+0.1	—
Gilt-Edged Fund		204.3	+0.2	—
Gilt-Edged Fd. (A)		204.8	+0.3	—
Retire Annuity		396.8	...	—

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

Scottish Equitable Life Assce. Soc.
51, St Andrew Sq, Edinburgh. 031 556 9101

Mixed	214.3	225.6	+0.4	—
Equity	241.2	253.9	+0.9	—
Property	118.4	124.7	...	—
Fixed Interest	126.1	132.8	+0.2	—
International	225.6	237.5	+1.4	—
Index Linked	108.5	114.3	+0.2	—
Cash	119.46	125.75	+0.04	
Edinburgh Inc.	116.7	122.9	+2.1	
Edinburgh American	116.5	122.7	+4.5	—
Baillie Gifford Japan	[illegible]	109.1	+0.7	

Scottish Life Investments
19 St Andrew Square, Edinburgh. 031-225 2711

Property	104.5	[illegible]	[illegible]	—
UK Equity	126.2	[illegible]	[illegible]	—
American	114.6	[illegible]	[illegible]	—
Pacific	105.9	[illegible]	[illegible]	—
European	116.3	[illegible]	[illegible]	—
International	118.4	[illegible]	[illegible]	—
Fixed Interest	100.2	[illegible]	[illegible]	—
Index Linked	100.8	[illegible]	[illegible]	—
Deposit	102.2	[illegible]	[illegible]	—
Managed	113.0	[illegible]	[illegible]	—
Pens. Property	108.1	[illegible]	[illegible]	—
Pens. UK Equity	133.6	[illegible]	[illegible]	—
Pens. American	143.0	[illegible]	[illegible]	—
Pens. Pacific	108.6	[illegible]	[illegible]	—
Pens. European	121.2	[illegible]	[illegible]	—
Pens International	124.4	[illegible]	[illegible]	—
Pens. Fixed Int.	102.8	[illegible]	[illegible]	—
Pens. Index Linked	103.3	[illegible]	[illegible]	—
Pens. Deposit	107.2	[illegible]	[illegible]	—
Pens. Managed	117.5	[illegible]	[illegible]	—

Scottish Mutual Assurance Society
109 St Vincent St, Glasgow. 041-248 6321

Pen End April 20	410.4	458.4		—
Pen Mngd April 20	421.8	434.8	+3.7	—

Sun Life Unit Assurance Ltd.
St James Barton, Bristol BS99 7SL. 0272 426911

Managed Acc.	321.7	338.7	+2.1	—
Property Acc.	196.7	207.1		—
Equity Acc.	451.7	475.5	+F.4	—
Fixed Interest Acc.	179.3	188.8	+0.4	
Index-Linked Acc.	104.1	109.6	+0.3	—
Cash Acc.	165.2	173.9	+0.1	—
American Equity Acc.	183.1	192.8	−0.8	—
U.S. Bonds Acc.	107.5	113.2	+1.1	—
Japan Acc.	110.7	116.6	+0.3	—
Pacific Acc.	110.5	116.4	−1.8	—
Far Eastern Acc.	245.6	258.6	−0.6	—
International Acc.	228.8	240.9	+0.3	—
U.S. Dollar Acc.	108.1	108.6	+0.6	—
Yen Acc.	96.6	101.7	+0.3	—
European Currency Acc.	95.4	100.5		—
Distribution	143.7	151.3	+0.4	10.00

Sun Life Pensions Management Ltd
(funds for individual pension contracts)

Pens. Managed Acc.	314.1	332.8	+0.8	
Pens. Property Acc.	159.5	167.9	+0.1	—
Pens. Equity Acc.	407.0	428.5	+2.1	—
Pens. F. Interest Acc.	170.4	179.4	+0.3	—
Pens. Ind. Lnkd. Acc.	105.7	111.3	+0.3	—
Pens. Cash Acc.	166.3	174.9	...	—
Pens. Amer. Equity Acc.	153.2	161.3	−0.3	—
Pens. U.S. Bonds Acc.	127.1	133.8	+1.4	—
Pens. Japan Acc.	112.5	118.5	+0.7	—
Pens. Pacific Acc.	134.1	141.2	−1.8	—
Pens. Far Eastern Acc.	261.3	280.4	−0.5	—
Pens. Internat. Acc.	290.1	305.4	+0.3	—
Pens. U.S. Dollar Acc.	108.6	114.4	+0.8	—
Pens. Yen Acc.	99.5	104.8	+0.7	—
Pens. Euro. Curr. Acc.	94.9	99.9	—	—

Swiss Life Pensions Ltd
99-101 London Rd, Sevenoaks. 0732-450161

Equity	174.43	179.82	—	—
Fixed Int.	127.03	127.66	—	—
Index Linked	109.09	109.63	—	—
Property	145.40	149.88	—	—
Cash	116.78	116.78	—	—

Arbuthnot Securities (C.I.) Ltd.
P.O. Box 428, St. Helier, Jersey.

Aries Fund Managers Ltd.
PO Box 443, St Helier, Jersey.

B.I.A. Bond Investments AG

Julius Baer Bank & Trust Co Ltd

Bamford Brandt Guernsey Mngt. Ltd.
PO Box 71, St Peter Port, Guernsey

Bank of America International S.A.
35 Boulevard Royal, Luxembourg

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

NOTES

COMMODITIES AND AGRICULTURE

Oil companies predict shaky summer market

BY IAN HARGREAVES

OIL COMPANIES are bracing themselves for a summer of weak demand and shaky prices, with some observers now predicting a cut in official prices by the Organisation of Petroleum Exporting Countries (Opec) before the end of the year.

Spot crude prices have already fallen by around $2 a barrel since the January peak caused by unusually cold weather and a burst of optimism about self-restraint in production by Opec members.

Brent blend, the North Sea marker, traded yesterday at around $26.50, down from almost $29 in late January.

A survey of opinions among leading U.S. oil companies reveals little optimism that the situation will improve later this year.

The consensus industry forecast now is for little or no increase in oil demand in 1985 or 1986. Oil companies expect that any extra demand will be in the range of 300,000 to 900,000 barrels a day (b/d) each year and that this will be met by increased deliveries from non-Opec sources. In the first quarter, demand fell by one per cent from last year's first quarter.

"There is nothing there at all for Opec in the next 18 months," said one oil industry planner. "They will have to stick to 16m b/d output or even lower."

Although Opec has surprised many in the industry by successfully reining in production from last year's 17.2m b/d to an estimated 16m to 16.5m b/d in the first four months of this year, it is now widely expected that Opec will have to tighten its belt further this year, or face further price instability. The organisation's official ceiling on output is 16m b/d, imposed on an emergency basis last year.

This state of affairs is continuing to cause serious economic pressures on weaker Opec members, such as Nigeria, which has been exceeding its permitted quota for several months.

Oil company planners say that the weakening of the U.S. economy will combine with a stabilisation of oil company stocks to produce a no growth outlook in the remainder of this year. They also fear that the next two years will continue to see further delayed action effect of conservation measures set in train following the 1979 oil shock.

Most oil companies now believe that there will be no significant recovery in oil markets before 1990, although several remain confident that in the 1990s, the oil industry will again enjoy rising real prices and even boom conditions.

Short-term nervousness in the industry has recently fed through to Wall Street, where a number of leading analysts have recommended sales of oil company shares.

European producer zinc prices reduced

By Andrew Gowers

TWO LEADING European zinc producers, Metallgesellschaft and Billiton, cut their producer prices by $30 to $930 a tonne yesterday, apparently in reaction to a continuing decline in zinc consumption.

Zinc prices on the London Metal Exchange did not react to the cuts, which dealers said fell somewhat short of expectations. The LME cash price closed yesterday at £635.50 a tonne, still more than $100 below the producer price.

North American producers are expected reluctantly to follow the Europeans at least part of the way down later.

Zinc consumption, measured on a 12-month moving average, has been falling for about nine months, while production has been holding steady. Analysts Shearson Lehman said in a report yesterday that last year's market deficit may be eliminated altogether this year.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market. 99.6 per cent, $ per tonne, in warehouse, 2,60-2,650.

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 5.15-5.40.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.86-0.92, sticks, 0.84-0.90.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 11.35-11.50.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 285-295.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.68-3.80.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 7.00-7.40.

TUNGSTEN ORE: European free marke, standard min. 65 per cent, $ per tonno unit WO, cif, 65-70.

VANADIUM: European free market, min. 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.25-2.30.

URANIUM: Nnexco exchange value, $ per lb U_3O_8, 14.25.

John Buckley on problems facing Europe's rapeseed industry

Clouds over the golden fields

EUROPE'S RAPESEED bonanza is running into trouble. Falling product prices, uncertainty over levels of EEC cash support and the threat of cheap foreign oilseed and oil competition have combined to cast a long shadow over the crushing industry. After years of unbridled expansion farmers may have to face increasing exposure to the open market, merchants and crushers warn.

That the Common Agricultural Policy's (CAP) rapeseed regime might run out of cash is no new theme but until recently it has been held at bay by a fortuitous run of events, not least the U.S. soyabean shortage, which last season narrowed the gap between EEC and world prices for the raw material of crushing. Now, however, that gap seems to be yawning anew—at just the wrong time—as the European Commission struggles to seek new ways of making economies on CAP spending.

The problem is compounded by the sliding price of rapeseed oil, the crushers' primary product accounting for about three-quarters of the value of every tonne of oilseed crushed. Already this market is coming under pressure from increasing supplies of soya, sunflower and fish oils, while a palm oil slick could well be drifting towards Europe in the late summer destined for the key industrial frying-oil market.

At the other end of the pipeline, prospects for European crops are far from bright following a hard winter and a cold dry spring. UK rapeseed crops are now flowering around the country but the stands are visibly shorter than last year and growth in some areas is ten to 14 days late. It is difficult to gauge the likely impact on seed output but already some observers are making comparisons with the 1983 and 1984 weather patterns when yields fell to little more than a tonne an acre.

At this stage, however, a popular "guesstimate" is nearer 1.25 tonnes which, on a 7 per cent rise in area should see a crop of 930-940,000 tonnes, broadly in line with last season's. Anything less, brokers say, could put crushers in a squeeze, since their capacity has expanded to 600-700,000 tonnes while the export market has grown this season to about 275,000 tonnes.

Much depends on the performance of Britain's EEC neighbours, especially France and West Germany, which have raised areas by 6 per cent and 10 per cent respectively but may also face lower yields due to the weather. Predictions for the Community as a whole hover around last year's level of 3.5m tonnes — but that figure could still swing several hundred thousand either way in the next month or two.

Crushers have been keeping a nervous eye on the oil market for some months but it is only within the past six weeks that real cracks have begun to appear with a fall of over £100 per tonne. On the Continent, prices of market leaders soya and palm are teetering on the brink of collapse as traders contemplate bumper new crop supplies swamping the market in the summer. Even the possibility of cuts in U.S. soya acreage has been shrugged off amid the bear sentiment, traders say.

Prospects for rapemeal usage are no brighter as warmer weather cuts animal feed use. While tight old crop markets have kept prompt prices in the £90s, new crop prices of about £75 per tonne have left consumers unimpressed.

Merchants have been forecasting a fall in new crop rapeseed prices, perhaps to the £250 per tonne level at which level Canadian seed was recently offered, but farmers have been reluctant to sell forward until the size of the new crop is clearer.

The crusher's plight is plain, however. Caught between slim margins and what seems a retreat in support from Brussels. Like cereals, rapeseed has yet to face the EEC axe and may well come off lightly at the farm gate. However, processors are deeply concerned about the fall in crush point subsidy, without which their operations would be hopelessly uneconomical.

Last week subsidies were cut to between £57.14 and £42.67 per tonne, despite crusher complaints that margins were becoming unworkable. New crop subsidies are still provisional since 1985/86 farm prices for rapeseed, which will determine the subsidy level, have yet to be agreed.

In past years the Commission has been prepared to pay up to £170 per tonne in crushing aid, during periods of intense competition but in recent seasons the rate has fallen to between £60 and £90 per tonne.

Rape seed's critics argue that this has been necessary because of the expansion in EEC crops from 2m tonnes in 1981 to 3.5m tonnes last year. Now, however, the Commission has a dilemma. Should it increase its support for the crushing industry or to risk the appearance of another candidate for the bulging intervention stores?

Lower sowings to cut U.S. wheat crop

WASHINGTON — The smallest planted acreage in six years will result in a 1985 U.S. winter wheat crop of 1.97bn bushels, with 48.5m harvested acres yielding over 40 bushels per acre, the U.S. Agriculture Department said.

In a summary of its wheat situation report, the department said the total 1985 U.S. wheat crop is estimated at 2.53bn bushels, down 2 per cent from a year ago.

It said production of hard red winter wheat, forecast at a record 1.34m bushels, will not offset an expected 30 per cent shortfall in soft red output and an anticipated 10 per cent drop in white wheat production.

Participation in the acreage reduction programme will be higher in spring wheat areas, but farmers intend to increase plantings because of reduced acreage conservation requirements—30 per cent of the wheat base, compared with up to 50 per cent in 1984.

Reuter

Action urged on Kuala Lumpur market reform

BY WONG SULONG IN KUALA LUMPUR

MALAYSIAN PALM oil growers and traders, facing the prospect of huge volumes of oil from the estates in the second half of the year, are pushing for an early start-up of the proposed reformed Kuala Lumpur Commodities Exchango (KLCE).

A major step towards the restoration of confidence in palm oil futures trading was taken recently through the registration of a new clearing house.

However, there appears to be some delay over the necessary legislation to b tabled in Parliament, as the oGvernment debates whether it should amend the present Commidities Trading Act or to replace it with a new one.

Tho current official thinking is inclined towards a new act as the proposed amendments are likely to be extensive, and could prove complicated.

The iMnistry of Primary Industries is hopeful that the necessary legislation will be ready for Parliament'o approval in July, but officials are still worried whether there would be sufficient confidence by then to generate meaningful trading volume.

The four-year-old KLCE has been crippled by a massive default on palm oil contracts in February last year, and since January this year ,there has been no palm oil trading as traders await for the introduction of reforms.

Growers and traders say they are confident there would be interest on tho reformed KLCE as they are keen to hedge because of tho huge output expected from July to December.

Malaysian palm oil output between January and May is estimated at around 200,000 tonnes a month, but is projected to rise as high as 500,000 tonnes during the second half.

Pakistan hopes for record rice crop

BY MOHAMMED AFTAB IN ISLAMABAD

PAKISTAN IS hoping that its rice crop this season will be an all-time high, consolidating its position as the world's third largest rice exporter.

According to the second estimate from the Ministry of Food and Agriculture, production has risen to 3.457m tonnes, a 3.5 per cent increase from last year's 3.339m tonnes. This reflects a 1 per cent increase in the area cultivated, to 2.017m hectares.

Exports are also expected to be higher than last year. Pakistan traditionally exports about 1m tonnes of rice a year, putting it behind Thailand (exporting 3m tonnes) and the U.S. (with 2.4m tonnes) in the world league. The crop is a major foreign exchange earner, and Pakistan's top food export.

Yields remain low by international standards, however. Current production works out at about 1.7 tonnes per hectare.

Pakistan is striving hard to attain a production target of 4.2m tonnes by June 1988, when the country's sixth five-year plan ends. To achieve that will require strenuous efforts to expand the area in production and to boost yields by developing new varieties.

One problem in increasing the cultivated area, however, is that Pakistan's premier rice export, tho fragrant long-grained "Basmati" variety, can only be grown in three administrative districts of Punjab province. Yields can be boosted there, but there is simply not enough room significantly to increase the acreage.

Pakistani farmers are also making efforts to reduce post-harvest losses, which currently total between 10 and 15 per cent of the crop, and are looking at possible uses for wastes and residues from rice production.

At present, 700,000 tonnes of rice husk, 24,000 tonnes of bran, 5m tonnes of straw and 550,000 tonnes of broken rice go to waste every year. These products can be used for manufacturing carbon and liquid sugar, according to the Government's Investment Advisory Centre.

● The Rice Export Corporation of Pakistan (RECP) has concluded an agreement to sell 75,000 tonnes of Irri rice to the Government Trading Corporation of Iran, between June and October this year. Under the agreement Iran has the option to purchase an additional 15,000 tonnes of rice, if required, at a later stage.

Rice deliveries will be made by sea. The two countries have an overland rail and road route also but its capacity is limited.

Du Pont grants for European education

MORE than $500,000 (£389,863) will be granted by the Du Pont company to institutes of higher learning in Europe as part of the company's 1985 Aid To Education programme. Among the recipients are universities in the UK, France, West Germany, the Netherlands, Belgium, Switzerland, Austria, Norway and Sweden.

The grants are given by Du Pont and Conoco, its energy subsidiary, in support of education and research in life sciences, polymer sciences, petroleum and mechanical engineering, chemistry, electronics, geology and geophysics.

LONDON MARKETS

BASE METALS

LME prices supplied by Amalgamated Metal Trading

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	£873-4	+7.5	—
3 months	£896-.5	+7.5	899/889

Official closing (am): Cash 872-.5 (864-.5): three months 894-5 (885-.5); settlement 872.5 (864.5). Final Kerb Close: 895-.5. Turnover: 13,800 tonnes.

COPPER

Higher grade	Unofficial close	+ or —	High/Low
Cash	£1170-6	+5.6	1178/1170
Three m'nths	£1177-8	—1.26	1186/1166

Official closing (am): Cach 1177-5 (1156.5-7.5); three manths 1185-6 (1165.5-7); settlement 1178 (1157.5). Final Kerb Close: 1178-8.

Cathodes			
Cash	£1192.4	—1.0	—
Three m'nths	£1165-7	—1.5	—

Official closing (am): Cash 1171-3 (1,148-50): three months 1174-5 (1152-4): settlement 1173 (1,1600). Turnover: 27,100 tannes. U.S. Producer prices 70.0-74.0 cents per pound.

LEAD

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	£252-3	+2.0	288/218
3 months	£229-7.8	+1.25	298/293

Official closing (am): Cash 289-90 (290-5): three months 295.5-6 (297.5-8); settlement 290 (290.5). Final Kerb Close: 297-5. Turnover: 9250 tonnes. U.S. Spot: 20.0-21.0 cents per pound.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	£4450-5	—10	4474/4460
3 months	£4382-5	+22.5	4425/4385

Official closing (am): Cash 4465-80 (4500-5): three months 4400-10 (4360-70): settlement 4460 (4505). Final Karb Close: 4395. Turnover: 732 tonnes.

TIN

High grade	Unofficial close(p.m.) £ per tonne	+ or —	High/low for day
Cash	£9530-40	+77.5	—
3 months	£9605-10	—73.5	9601/9615

Official closing (am): Cash 9490-5 (9546-50): three months 9465-70 (9416-20): settlement 9495 (9450).

Standard			
Cash	£9530-40	+77.5	—
3 months	£9495-9600	+70	9501/9485

Official closing (am): Cash 9490-6 (9447-50): three months 9455-6 (9406-5): settlement 9445 (9450). Final Kerb close: 9490-50. Turnover: 1,100 tonnes. Straits On $m29.26 (29.32) kilo.

ZINC

	Official close(p.m.) £ per tonne	+ or —	High/low
Cash	£635-.5	+1.5	—
3 months	£646-.5	+0.75	651/642

Official closing (am): Cash 636-7 (629-.5): three months 647-8 (639.5-40): settlement 637 (629.5). Final Kerb Close: 642-.5. Turnover: 11,575 tonnes. U.S. Prime Western: 45.50-47.50 cents per pound.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

METALS	May 21 1985	+ or —	Month ago
Aluminium	£1100	......	£1100
Free Mkt	$1145/175	......	$1150/170
Copper			
Cash h Grade	£1174	+5.5	£1215.75
3 mths	£1177.5	—1.25	£1171.25
Gold troy oz	$317.5	—5.75	$326.5
Lead Cash	£292.5	+5	£310
3 mths	£297.5	—1.25	£309.25
Nickel			
Free Mkt	250/280c	......	245/275c
Palladium oz	$106.75	—4.5	$110.75
Platinum oz	$274.60	—8.50	$280.75
Quicksilver†	$280/290	......	$280/290
Silver troy oz	486.60p	—22.60	499.90p
3 mths	501.55p	—22.75	514.90p
Tin cash	£9535	+77.5	£9230
3 mths	£9457.0	+70	£9225
Tungsten	$79.03	......	$77.70
Wolfram 22 04lb	$68/71	......	$72/74
Zinc	£635.5	+1.5	£703
3 mths	£646.25	+0.75	£701.5
Producers	$930/960	......	$960

OILS	May 21 1985	+ or —	Month ago
Coconut (Phil)	$670	—30	$787.5
Palm Malayan	$525z	+3	$650
SEEDS			
Copra Phil	$405x	—10	$490
Soyabean (U.S.)	$238.75	+0.65	$250.5
GRAINS			
Barley Fut. Sep	£98.90	—0.05	£98.80
Maize	£150.00	......	£151.00
Wheat Fut. July	£121.45	+0.35	£122.50
No. 2 Hard Wint.	$	......	$
OTHERS			
Cocoa Ft. July	£1781.5	+8.5	£1878.5
Coffee Ft. July	£2072.5	+21.5	£2134.5
Cotton A Index	64.80c	—0.15	65.05c
Gas Oil July	$215.5	+1	$228.70
Rubber (kilo)	63p	—1	65p
Sugar (raw)	$90xy	+3	$98.2
Wooltops 64s	475pkilo	......	468pkilo

$ Unquoted. x May-June. y July. z June. † Per 76-lb flask. c Cents per pound.

GOLD

Gold fell $5¾ an ounce from Monday's close in the London bullion market yesterday to finish at $317¼-317¾. The metal opened at $315½-316 and traded between a high of $317¼-317¾ and a low of $313½-314. The lower trend reflected an improvement in the dollar following yesterday's U.S. GNP figures with an implied increase in inflation also reducing the scope for lower interest rates.

GOLD BULLION (fine ounce) May 21

Close	$317¼-317¾	(£245½-250)
Opening	$315½-316	(£247-247½)
M'ning fix.	$316.50	(£247.362)
Aft'n'n fix.	$314.90	(£248.775)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$325¾-327¼	(£256¾-257¼)
½ Krug.	$168½-165	(£132½-132¾)
¼ Krug.	$85-86½	(£67½-68)
1/10 Krug.	$35¼-35¾	(£27¾-28)
Mapleleaf	$326¾-327¼	(£256¾-257¼)
New Sov.	$74¾-75¼	(£59¾-59¼)
½New Sov	$45½-46	(£35¾-36¼)
Old Sov.	$75½-78	(£60¼-61½)
$20 Eagle	$440-480	(£345¾-377¼)
Noble Plat	$222¾-286	(£251½-224)

SILVER

Silver was fixed 22.6p an ounce lower for spot delivery in the London bullion market yesterday at 486.5p, its lowest level for over 2½ years. U.S. cent equivalents of the fixing levels were: spot 621.5c, down 34.25c; three-month 633.7c, down 34.5c; six-month 647.05c, down 35.05c; and 12-month 673.5c, down 38.25c. The metal opened at 484-487p (612-622c) and closed at 487-490p (619-622c).

SILVER per troy	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	486.50p	—22.6	484p	—18.5
3 months	501.55p	—22.7	499p	—17.5
6 months	516.30p	—23.2	—	—
12months	543.10p	—25.2	—	—

LME — Turnover: 67 (57) lots of 10,000 oz.

Three months high 503.5, low 499, final kerb 498-99.

FREIGHT FUTURES

The market opened fractionally easier and remained quiet until fresh selling took levels to new contract lows. The afternoon session saw little activity but late two-way trading boosted the volume, and final quotations were towards the high of the days range, reports Clarkson Wolff. The Baltic Freight Index was 984, down 5.5 points.

	Close	High/Low	Prev.
July	887/890	890/884	890/895
Oct.	905/936	938/952	940/942
Jan.	925/930	928	930/938
April	1000/1010	—	1000/1040
July	920/945	—	935/945
Oct.	950/995	995	995/1045
Jan.	985/1030	—	990/1030
April	1050/1100	—	1040/1100

Turnover: 105 (166).

GRAINS

Old crop wheat rose on steadier physical trade and remained in a 20p range throughout the day closing just steady. New crops lost 20p on hedge selling but regained the losses, reports Muirpace.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterdays close	+ or —
May	118.90	+0.40	118.60	—
July	121.46	+0.55	—	—
Sept.	99.95	—	98.90	—0.05
Nov	103.20	—0.05	105.50	—0.05
Jan	106.80	+0.15	102.05	—0.05
Mar	110.00	+0.05	109.05	—0.05

Business done—Wheat: May 118.90-8.75, July 121.45-1.25, Sept 99.95-9.70, Nov 103.20-3.00, Jan 106.80-6.55, March 109.90-9.80. Sales: 160 lots of 100 tonnes. Barley: May 112.60 only. Sept 98.90-8.80, Nov, Jan and March untraded. Sales: 11 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. dark northern spring No 1 15 per cent June/July 142, Aug 142.25, Sept 140, sellers transhipment east coast. U.S. No 2 soft red winter June 124.25, July 124, Aug 126.50, Sept 128.50 sellers. EC harvest 119 quoted. English feed fob June 124, Sept 101, Oct 104, Oct/Dec 106, Jan/March 112, sellers east coast. Maize: U.S. No 3 yellow/French transhipment east coast May 180. Barley: English feed fob July/Aug 99, second-half Aug 99, Sept 100, Oct/Dec 106, sellers east coast. Rest unquoted.

HGCA — Locational ex-farm spot prices. Feed barley: E. East 111.50, W. Midn 110.40, N. West 113.40. The UK monetary coefficient for the week beginning Monday May 27 (based on HGCA calculations using 5 days' exchange rates) is expected to change to 0.977.

RUBBER

PHYSICALS — The London market opened easier, fluctuated with currencies throughout the day and closed uncertain, reports Lewis and Peat. Closing prices (buyers) spot 63.00p (same): June 66.25p (same); July 66.75p (same). The Kuala Lumpur fob price for RSS No 1 was 190.5 (191.75) cents a kg and for SMR 20 was 180.0 (191.0).

COFFEE

Commission house buying during a quiet morning prompted gains of £15-20, reports DSL. Lower sterling and a slightly steadier New York aided a further rise in the afternoon before profit-taking and dealer selling trimmed gains towards the close.

COFFEE	Yestord'ys Close	+ or —	Business Done
May	2025-27	+18.6	2040-23
July	2076-77	+21.6	2095-63
Sept.	2116-19	+17.0	2139-07
Nov.	2158-63	+23.0	2178-50
Jan	2151-95	+25.5	2110-80
March	2155-60	+18.5	2155
May	2145-80	+37.5	—

Sales: 2,602 (2,616) lots of 5 tonnes.

ICO Indicator prices (U.S. cents per pound) for May 20: Comp daily 1979 132.19 (131.74): 15-day average 131.97 (132.01).

INDICES

FINANCIAL TIMES

May 20	May 17	M'th ago	Year ago
286.79	287.19	290.35	023.30

(Base: July 1 1952 = 100)

REUTERS

May 21	May 20	M'th ago	Year ago
1822.8	1814.9	1882.4	2010.7

(Base: September 18 1931 = 100)

MOODY'S

May 14	May 10	M'th ago	Year ago
921.9	923.9	—	—

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	May 14	May 15	Month ago	Year ago
Spot	117.51	117.64	—	—
Fut.	122.62	122.23	—	—

(Base: December 31 1974 = 100)

COCOA

Futures traded in a narrow range throughout a dull day. Producers remained withdrawn but some light consumer and second-hand interest was noted, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
May	1736-1748	—30.0	1750-1744
July	1781-1782	+8.5	1785-1775
Sept.	1775-1770	+7.5	1775-1765
Dec.	1746-1747	+5.0	1748-1743
Mar.	1755-1757	+0.5	1758-1756
May	1767-1770	+2.5	1770-1768
July	1771-1785	+4.5	—

Sales: 1,533 (2,885) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for May 21: 96.51 (97.00): five-day average for May 22: 96.82 (97.54).

SUGAR

LONDON DAILY PRICE—Raw sugar $90.00 (£70.60), up $3.00 (up £3.00) a tonne for May-June-July delivery. White sugar $137.50, up $4.00.

Prices milled during the morning but when New York failed to hold up losses of $2 were recorded, reports

No. 5 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug	96.8-97.2	97.2-97.4	98.0-96.0
Oct	99.5-100.0	100.4-100.6	102.0-98.2
Dec	105.0-106.0	105.5-106.0	106.4-105.2
Mar	118.0-118.6	118.2-118.4	120.0-118.6
May	121.6-122.2	121.6-122.2	122.5-121.4
Aug	127.6-128.6	129.0-129.5	127.00
Oct	131.4-135.0	132.0-132.6	132.6-132.0

Sales: 1,404 lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £177.50 (£174.00) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports.) Prices for May 20: Daily price: 2.91 (2.77): 15-day average 2.84 (2.85).

SOYABEAN MEAL

Volatile currency fluctuations and reduced physical business made for a featureless day's trading.

	Yesterday close £ per tonne	+ or —	Business Done
June	118.0-124.0	—1.50	—
August	117.0-117.7	+0.10	117.8
October	120.5-120.5	—0.35	120.5-120.5
Dec	125.5-128.0	+0.05	125.5
Feb	130.5-131.5	—	—
Apr	151.5-132.5	—1.00	106.0
June	131.0-132.5	—1.20	132.8

Sales: 84 (177) lots of 20 tonnes.

OIL

Several June North Sea cargoes were traded, including Forties, at $26.55 for early-June loading. Arab Gulf crudes traded thinly. Nymex opened 10c up and traded 15c up at 1 pm EST. In the petroleum products market gasoil prices firmed on end-user Continental demand via the barges. Cracked high sulphur fuel oil remained stable while straight run prices continued to firm on strong buying interest—Petroleum Argus, London.

SPOT PRICES

CRUDE OIL—FOB ($ per barrel)—June	Latest	Change + or —
Arab Light	26.65-26.70	—0.05
Arab Heavy	25.10-25.20	—
Dubai	25.15-25.20	—0.025
Brent Blend	26.50-26.60	+0.15
W.T.I. (1pm est)	28.90-28.15	+0.20
Forcados (Nigeria)	26.40-26.55	+0.05
Urals (cif Med)	25.60-25.70*	—

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	290-290	—
Gas Oil	218-219	+2.5
Heavy fuel oil	131-133	—

* May

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close U.S. $ per tonne	+ or —	Business Done
June	210.72	+1.00	217.25-16.25
July	215.50	+1.00	218.25-14.75
Aug	215.75	+1.00	217.25-16.00
Sep	218.00	+1.75	219.25-18.00
Oct	221.30	+1.60	—
Nov	220.50	+2.75	—

Turnover: 729 (526) lots of 100 tonnes.

POTATOES

Old crop May remained firm pushing up £6 to close at the day's highs. Short-covering on new crop led to slightly higher values in basically quiet trade, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
May	68.00	22.00	68.00-65.00
Nov	64.30	64.00	64.50-64.00
Feb	73.50	70.00	—
Apr	85.20	84.90	86.00-84.60
May	90.50	90.00	91.50-90.60

Sales: 192 (189) lots of 40 tonnes.

PIGMEAT

Prices eased back slightly due to light profit-taking in a featureless market, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
June	107.60	107.90	107.80-107.60
Aug	101.40	101.50	—
Oct	106.60	106.70	—
Nov	106.80	106.80	—
Feb	99.30	99.70	—
April	99.80	99.90	—

Sales: 3 (44) lots of 50 carcases, 3,250 kg.

MEAT

SMITHFIELD MEAT—Pence per pound. Beef—Scotch killed sides 78.0-82.0; English forequarters 55.0-58.0; Ulster hindquarters 98.0-102.0. Veal—Dutch hinds and ends 138.0-143.0. Lamb—English small 88.0-98.0, heavy 80.0-95.0; Imported: New Zealand PL 65.5-66.5, PX 65.5-66.5. Pork—English under 100 lb 49.5-57.0, 100-120 lb 51.0-55.0, 120-160 lb 43.0-46.0.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 100.66p per kg lw (+0.43). GB—Sheep 185.86p per kg est dcw (—25.61). GB—Pigs 80.85p per kg lw (—1.30).

U.S. MARKETS

HEATING OIL traded moderately higher after a strong opening. As anticipation of a tight product stock report attracted some short-covering, reports Heinold Commodities. Grains and soyabeans were mostly lower with nearby soya oil the only source of strength. Heavy local selling in the grains pressured all markets to lower levels. Precious metals firmed as sellers turned cautious and short-covering emerged on the upward revision in the GNP deflator. Copper firmed on substantial stock drawdowns in exchange warehouses. Aluminium continued to falter on the weak tone to the U.S. economy. Sugar weakened as producer selling emerged. Good availability of coffee in New York pressured values. Cocoa traded steady reflecting better cash offtake. Cotton was little changed on reports of favourable progress to plantings.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
May	48.30	48.56	48.55	48.55
June	45.45	—	—	48.70
July	45.80	49.15	49.80	49.05
Sept	49.50	49.65	49.70	49.70
Dec	50.55	—	—	50.75
Jan	50.80	—	—	51.10
March	51.60	—	—	51.80
May	52.30	—	—	52.60
July	53.00	—	—	53.20
Sept	53.70	—	—	53.80

COCOA 10 tonnes, $/tonnes

	Latest	High	Low	Prev
July	2076	2080	2044	2057
Sept	2068	2070	2064	2072
Dec	2032	2047	2030	2058
March	2035	2047	2035	2049
May	—	—	—	2065
July	2050	—	—	2084

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
May	143.50	46.00	43.50	45.77
July	145.58	45.86	45.10	46.10
Sept	146.03	47.35	45.70	46.85
Dec	145.36	46.65	45.30	45.90
March	144.45	44.25	44.25	45.15
May	142.75	—	—	44.28
July	141.00	—	—	43.25

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
May	63.55	63.65	63.00	62.75
June	63.70	63.20	63.20	62.95
July	64.10	64.26	63.36	63.35
Sept	64.85	64.50	64.15	64.10
Dec	65.70	65.70	65.00	64.90
Jan	65.95	65.56	65.56	65.15
March	66.50	66.50	66.00	65.65
May	66.00	66.90	66.35	66.05
July	67.30	66.90	66.75	66.45
Sept	67.70	67.00	67.00	66.85

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
July	65.38	65.40	65.00	66.22
Oct	63.72	63.85	63.65	63.83
Dec	63.73	63.83	63.65	63.90
March	64.77	64.85	64.85	64.85
May	65.40	65.50	65.45	65.50
July	65.75	65.70	65.70	65.90

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
June	27.98	28.14	27.95	27.90
July	27.13	27.23	27.05	26.99
August	26.81	26.71	26.58	26.50
Sept	26.40	26.50	26.39	26.33
Oct	26.34	26.46	26.28	26.30
Nov	26.30	26.45	26.33	26.30
Dec	26.30	26.42	26.27	26.30
Jan	26.40	—	—	26.28
Feb	26.40	—	—	26.28
March	26.40	—	—	26.28

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
May	317.1	314.5	314.5	313.2
June	317.5	312.9	314.3	314.2
July	319.6	—	—	315.6
August	321.4	322.3	317.5	317.4
Oct	325.4	325.7	323.3	321.3
Dec	329.2	330.1	326.0	325.4
Feb	334.1	333.0	332.0	329.5
April	338.7	337.5	337.5	334.4
June	343.7	343.0	343.0	339.3
August	348.9	—	—	344.4
Oct	354.1	—	—	349.6
Dec	359.7	360.0	358.0	365.1
Feb	365.5	362.5	262.5	360.9

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
June	70.85	71.00	70.60	70.49
July	69.65	70.00	69.30	69.35
August	70.16	70.50	69.00	70.00
Sept	71.10	71.25	70.70	70.75
Oct	71.60	72.15	71.70	71.66
Nov	72.90	73.00	72.90	72.66
Dec	73.54	73.54	73.45	73.65

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Sept	146.30	47.25	45.80	46.75
Nov	145.00	45.50	44.75	44.90
Jan	144.60	45.25	44.00	44.45
March	144.35	44.80	44.25	44.45
May	144.35	—	—	44.45
July	144.35	—	—	44.45

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
May	274.2	—	—	268.6
June	275.5	—	—	269.5
July	276.8	277.5	272.0	271.5
Oct	281.7	281.5	278.0	276.2
Jan	286.0	285.0	282.6	281.8
April	292.4	290.0	290.0	287.7

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
May	621.6	621.0	612.0	609.3
June	623.0	619.5	615.0	611.0
July	628.5	628.5	615.0	614.5
Sept	634.4	636.0	623.0	622.2
Dec	647.5	648.5	635.0	635.2
Jan	652.2	648.0	645.0	639.8
March	661.3	657.0	651.0	648.8
May	671.1	670.0	665.0	658.8
July	681.3	680.0	677.0	668.8
Sept	692.2	690.0	686.0	680.0

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
July	3.10	3.24	3.06	3.21
Sept	3.24	3.36	3.28	3.38
Oct	3.37	3.48	3.33	3.46
Jan	3.79	5.87	5.85	0.86
March	4.24	4.27	4.20	4.25
May	4.40	4.43	4.37	4.40
July	4.56	4.63	4.68	4.59
Sept	4.72	—	—	4.73
Oct	4.88	4.93	4.88	4.92

SPOT PRICES—Chicago loose lard 19.50 (same) cents per pound. New York tin 559.0 (565.0) cents per pound. Handy and Harman silver bullion 617.0 (639.0) cents per troy ounce.

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
June	63.17	63.87	63.02	63.82
August	64.32	64.95	64.22	64.87
Oct	62.95	63.30	62.82	63.32
Dec	63.92	64.30	63.87	64.35
Feb	64.62	64.95	64.50	65.05
April	65.70	65.75	65.50	65.90

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
June	47.65	47.85	47.30	47.45
July	50.22	50.47	49.95	50.30
August	50.15	50.60	50.07	50.40
Oct	47.02	47.30	46.82	47.10
Dec	48.15	48.20	48.00	48.22
Feb	49.15	49.40	49.05	48.92
April	45.72	46.00	45.60	45.90
June	48.30	48.35	48.10	48.10
July	48.70	49.50	48.70	49.47

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
May	283.2	283.2	282.0	281.6
July	275.0	276.2	275.0	276.0
Sept	260.6	262.2	260.4	262.2
Dec	256.6	256.6	256.2	258.0
March	265.4	267.4	265.2	266.4
May	270.0	271.6	270.0	271.4
July	272.0	273.4	272.0	273.4

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
May	64.45	69.05	64.07	64.87
July	65.77	66.35	65.40	66.27
August	65.22	65.82	65.05	65.70
Feb	73.45	73.75	73.00	73.50
March	73.15	73.50	72.90	73.25
May	74.00	74.00	73.90	73.95
July	74.70	74.70	74.45	74.90

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
May	568.0	580.2	568.0	578.2
July	568.2	575.4	567.4	574.2
August	569.0	576.4	568.4	574.6
Sept	568.2	575.2	568.0	573.0
Nov	576.2	583.5	575.4	580.4
Jan	586.4	594.0	586.0	591.2
March	597.2	604.4	597.0	602.0
May	605.2	—	—	610.0
July	610.4	616.4	610.4	615.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
May	118.5	115.3	118.5	119.2
July	122.8	123.3	121.8	123.1
August	125.7	126.0	124.0	126.0
Sept	128.3	129.0	127.0	128.7
Oct	131.1	131.0	130.5	131.0
Dec	136.0	137.3	135.7	137.0
Jan	139.3	140.2	139.0	139.2
March	144.7	145.0	144.0	143.3
May	146.8	—	—	148.5
July	152.8	—	—	153.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
May	32.93	33.20	32.20	32.19
July	30.35	31.06	30.25	30.87
August	29.27	29.90	29.15	29.66
Sept	28.33	28.90	28.25	28.75
Oct	27.30	27.95	27.30	27.30
Dec	25.47	27.05	26.42	26.78
Jan	26.10	26.65	26.10	26.42
March	25.65	26.15	25.65	25.95
May	25.38	—	—	25.60

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
May	320.6	339.0	319.6	336.6
July	316.0	312.9	316.2	318.8
Sept	317.4	319.0	317.0	318.6
Dec	328.2	329.6	327.4	329.2
March	333.0	333.2	332.0	334.4
May	324.2	324.4	324.0	325.4

OTHER MARKETS

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. May 615.0, 630.0, 622.0; July 625.0, 633.0, nil; Oct 620.5, 623.0, nil; Dec 622.0, 626.0, nil; Mar 628.0, 630.0, nil; May 636.0, 643.0, nil; July 640.0, 655.0, nil; Oct 619.0, 630.0, nil. Sales: 6.

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. May buyer unquoted, 505, 512; Aug 532, 534, nil; Oct 532, 534, 533; Dec 532, 534, 534-533; Jan 534, 536, 535-535; March 544, 546, nil; May 549, 551, nil; Aug 562, 565, nil; Oct 560, 565, nil. Sales: 23.

PARIS

SUGAR—(FFr per tonne): Aug 1275/1277, Oct 1296/1300, Dec 1316/1322, Mar 1368/1370, May 1415/1420, Aug 1470/1479.

COCOA—(FFr per 100 kg.): May 2000/2100, July 2090/2130, Sept 2069/2070, Dec 2047/2048, Mar 2056/2067, May 2065 bid, July 2055 bid.

HIDES

HIDES — Birmingham (Manchester). Second clears. Ox: 31-35.5 kg, 99.6p a kg withdrawn (99.7p); 26-30.5 kg, 108.1p a kg (110.1p); 22-25.5 kg, 124.1p a kg (123.7p). Cows: 25.9 kg, 119.3p a kg (118.1p withdrawn).

COTTON

LIVERPOOL—No spot or shipment sales were recorded. Operations were at minimal levels and demand failed to show any expansion.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up despite GNP figures

The dollar finished up from *Monday's closing* levels in London yesterday although it was some way below the day's best levels. Initial trading saw the dollar confined to a fairly *narrow range ahead of* final figures on U.S. first quarter GNP. These showed a rise of 0.7 per cent, some way below the previous revision of 1.3 per cent. *Despite this, initial trading after* the announcement saw heavy corporate demand for the dollar. Many participants had been holding back on dollar purchases *until the figures had* been released.

Short covering developed as more people were caught off balance but profit-taking developed towards the end of the day and the dollar gave up nearly 3 pfennigs from the day's high of DM 3.0930 against the D-mark to close at DM 3.0670, still well up from DM 3.0340 on Monday. Part of the earlier demand was centred on a further increase in the implicit price deflator which suggested a further rise in inflation. This could ultimately colour any judgment on lower interest rates. Comments by Mr James Baker, U.S. Treasury Secretary, that the U.S. economy would rebound in the third and fourth quarter but only after a poor second quarter, came too late to have any real effect on rates.

The dollar closed at SwFr 2.5840 from SwFr 2.5625 and Y250.25 compared with Y349.60. It was also higher against the French franc at FFr 9.3550 from FFr 9.28. On Bank of England figures, its index rose to 145.4 from 143.9.

STERLING — Trading range against the dollar in 1985 is 1.2940 to 1.0525. April average 1.2414. Exchange rate index fell to 79.5 from 79.7, having touched a low of 79.1 in the afternoon. The six months ago figure was 73.2.

Sterling recovered from a low of $1.2595 against the dollar to finish at $1.2720. This was still down from Monday's close of $1.2825. However the pound retained a fairly strong undertone, helped by high interest rates and the unlikelihood of any short-term fall. This was shown in its performance against major European currencies where it rose to DM 3.8975 from DM 3.8925 and SwFr 3.2875 from SwFr 3.2700. It was also higher against the French franc at FFr 11.87 compared with FFr 1.8450. Against the yen it eased to Y318.5 from 320.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc ...	44.9008	45.1228	+0.49	+0.60	±1.5471
Danish krone ...	8.14104	8.05068	−1.11	−1.00	±1.6416
German D-mark.	2.24184	2.24124	−0.03	+0.08	±1.1475
French franc......	6.87456	6.83701	−0.55	−0.44	±1.3689
Dutch guilder ...	2.52595	2.53179	+0.23	+0.34	±1.5171
Irish punt.........	0.72569	0.716220	−1.30	−1.19	±1.6673
Italian lira	1403.49	1433.23	+2.12	+2.12	±4.0416

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

	May 21	Prev. close
£ Spot	$1.2760-1.2775	$1.2730-1.2740
1 month	0.54-0.52 pm	0.58-0.55 pm
3 months	1.44-1.41 pm	1.45-1.43 pm
12 months	3.80-3.70 pm	3.80-3.65 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

May 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.2595-1.2820	1.2715-1.2725	0.56-0.53c pm	5.14	1.45-1.40pm	4.48
Canada	1.7410-1.7570	1.7430-1.7470	0.56-0.47c pm	3.54	1.39-1.25pm	3.03
Nethlnd.	4.38½-4.41¼	4.39½-4.40½	2¼-2c pm	6.00	6¼-5⅞pm	5.45
Belgium	78.12-78.77	78.25-78.35	30-25c pm	4.21	73-64pm	3.50
Denmark	13.96½-14.03¾	14.00¾-14.01¾	4⅞-3⅞ore pm	3.69	12¼-11¼pm	3.34
Ireland	1.2422-1.2500	1.2470-1.2480	0.19-0.02p pm	1.01	0.39pm-.05d	−0.71
W. Ger.	3.88½-3.91	3.89¼-3.89¾	2⅞-2½pf pm	7.50	6¾-6¼pm	6.86
Portugal	217½-224	219-223	95-420c dis	−13.98	320-1215dis	−13.88
Spain	217½-220½	220-220½	5c pm-25 dis	−0.54	15-70dis	−0.77
Italy	2,479¾-2,496½	2,482½-2,483½	4-par lire pm	0.97	4pm-2dis	−0.16
Norway	11.20½-11.27½	11.24¾-11.25¾	⅞-⅛ore pm	0.53	⅛pm-⅛dis	—
France	11.85½-11.93½	11.86½-11.87½	3-2½c pm	2.78	7½-6½pm	2.36
Sweden	11.25-11.33¼	11.27¼-11.28¼	2¼-3¼ore dis	−2.26	8¼-9¼dis	−3.24
Japan	316-320	318-319	1.81-1.71y pm	6.63	4.94-4.80pm	6.12
Austria	27.20-27.47	27.39-27.45	15¾-13¼gro pm	6.43	40¾-36¾pm	5.63
Switz.	3.26½-3.30	3.28¼-3.29¼	2½-2¼c pm	8.44	6-5⅞pm	7.22

Belgian rate is for convertible francs. Financial franc 78.60-78.70. Six-month forward dollar 2.48-2.43c pm. 12-month 3.83-3.68c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

May 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.2595-1.2820	1.2715-1.2725	0.56-0.53c			
Ireland†	1.0105-1.0280	1.0200-1.0210	0.40-0.30c			
Canada	1.3675-1.3731	1.3720-1.3730	0.15-0.18c			
Nethlnd.	3.4300-3.4950	3.4570-3.4580	0.19-0.16c			
Belgium	61.28-62.11	61.50-61.60	6-7c dis			

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 61.80-61.90.

OTHER CURRENCIES

May 21	£	$		£ Note Rates
Argentina Peso...	669.62-670.66	525.40-526.60	Austria........	27.50-27.60
Australia Dollar.	1.8230-1.8270	1.4445-1.4465	Belgium	78.50-79.36
Brazil Cruzeiro...	6,717-6,747	5,075-5,290	Denmark........	16.95-14.10
Finland Markka.	8.0890-8.1180	6.3280-6.4000	France	11.85-11.94
Malaysia Dollar..	3.1050-3.1167	2.4610-2.4640	Portugal........	212-227
New Zealand Dlr.	2.8000-2.8100	2.2040-2.2090	Spain........	210¼-221½
Saudi Arab Riyal	4.5610-4.5658	3.6103-3.6108	Sweden........	11.25-11.67
Singapore Dollar	2.7900-2.7995	2.2110-2.2140	Switzerland........	3.27½-3.61½
Sth African Rand	2.4885-2.5015	1.9850-1.9890	United States........	1.27-1.29
U.A.E. Dirham...	4.6308-4.6448	3.6720-3.6730	Yugoslavia........	320-350

* Selling rate.

CURRENCY MOVEMENTS

May 21	Bank of England Index	Morgan Guaranty Changes %
Guilder........	110.1	+0.2
French franc........	64.8	−16.6
Lira........	45.8	−17.6
Yen........	158.0	+11.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

May 21	Bank rate %	Special Drawing Rights	European Currency Unit
Yen........	5	249.886	185.963
Norway Kr..	8	8.76636	6.47061
Span'h Pta..	—	171.464	126.479
Swedish K..	11.5	N/A	6.51162
Swiss Fr....	4	8.56313	1.89002
Greek Dr'ch	20½	N/A	98.9610
Irish Punt...	18¾	0.970539	0.716220

*C$/SDR rate for May 20: N/A.

EXCHANGE CROSS RATES

May 21	Pound St'rling	U.S. Dollar	Deutschem'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.272	3.892	318.5	11.87	3.288	4.400	2483.	1.745	78.30
U.S. Dollar	0.786	1.	3.067	250.3	9.656	2.584	3.458	1952.	1.378	61.55
Deutschemark	0.257	0.326	1.	81.78	3.046	0.843	1.129	567.1	0.448	20.09
Japanese Yen 1,000	3.140	3.994	12.24	1000.	37.27	10.39	13.81	7796.	5.479	246.8
French Franc 10	0.849	1.072	3.283	268.3	10.	2.770	3.707	2092.	1.470	65.96
Swiss Franc	0.304	0.387	1.186	96.88	3.611	1.	1.338	755.3	0.531	23.82
Dutch Guilder	0.227	0.289	0.886	72.39	2.698	0.747	1.	564.3	0.397	17.80
Italian Lira 1,000	0.403	0.512	1.570	128.3	4.781	1.324	1.772	1000.	0.703	31.53
Canadian Dollar	0.573	0.729	2.234	182.5	6.802	1.884	2.521	1423.	1.	44.87
Belgian Franc 100	1.277	1.626	4.978	406.8	15.16	4.199	5.619	3171.	2.229	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

May 21	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	12⅝-12¾	7 11/16-7 13/16	8¾-9	7⅛-7⅜	4-4½	5⅜-5½	10 1/16-10 3/16	11½-13½	9⅛-9⅜	9⅛-9⅝	6-6⅛	8-8½
7 days' notice	12⅝-12¾	7 11/16-7 13/16	8¾-9¼	7⅛-7⅜	2¼-2¾	5⅜-5½	10 1/16-10 3/16	12½-13½	9⅛-9⅜	9⅛-9⅜	6⅛-6 3/16	8⅝-9⅛
Month	12⅝-12¾	7¾-7⅞	8⅞-9⅛	6 15/16-7 1/16	5 9/16-5 11/16	5⅜-5½	10 1/16-10 3/16	12¼-12¾	8⅞-9⅛	9-9¼	6⅛-6 3/16	8⅞-9⅜
Three months	12 11/16-12⅝	7⅞-8	8¼-8½	6 13/16-6 15/16	5¼-5¾	5 11/16-5 13/16	10 1/16-10 3/16	12½-13	9¼-9	9⅛-9⅜	6 3/16-6⅜	8-8½
Six months	12 11/16-12 13/16	8⅛-8¼	9⅜-9⅝	6⅝-6⅞	5⅛-5¼	5½-5⅝	10 3/16-10 5/16	13-13⅝	9-9¼	9⅛-9⅜	6 5/16-6⅜	9¼-9¾
One year	12 11/16-12 13/16	8⅝-8¾	9⅝-9⅞	6 11/16-6 13/16	5-5⅛	5⅝-5¾	10 5/16-10 7/16	13⅝-14	9¼-9¾	9⅛-9⅜	6 7/16-6 9/16	9⅝-10⅛

Asian $ (closing rates in Singapore): Short-term 7 11/16-7 13/16 per cent; seven days 7⅝-7⅞ per cent; one month 7⅝-7⅞ per cent; three months 7 15/16-8 1/16 per cent; six months 8⅛-8⅜ per cent; one year 8⅝-8⅞ per cent. Long-term Eurodollars: two years 9 9/16-9 11/16 per cent; three years 10 1/16-10 3/16 per cent; four years 10⅜-10⅝ per cent; five years 10⅝-10⅞ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

Weaker trend

Most prices showed net losses on the day in the London International Financial Futures Exchange yesterday. Activity was governed for the most part by the announcement of a revised U.S. GNP figure which showed a rise of just 0.7 per cent. This was down from the previous revision which showed a rise of 1.3 per cent and was also below most market expectations.

Initial reaction to the figures pushed the dollar firmer and with a further rise in the implicit price deflator, the market reacted to renewed fears about inflation. However the basic undertone remained bullish with hopes of another cut in the discount rate based on the assumption that any stimulus provided to the economy will take some time to filter through. At the same time there is still concern over the possible effect of high interest rates on certain financial institutions.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
June	91.94	91.97	91.90	91.96
Sept	91.31	91.43	91.28	91.38
Dec	90.91	90.98	90.99	90.98
March	90.57	90.65	90.56	90.65
June	90.29	90.34	90.28	90.36

Est volume 5,982 (5,602)
Previous day's open int 18,921 (18,376)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
June	87.53	87.59	87.51	87.57
Sept	88.46	88.58	88.42	88.52
Dec	88.77	88.81	88.74	88.80
March	88.90	88.94	88.94	88.93

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	75-05	75-09	74-37	75-14
Sept	74-05	74-08	73-31	74-13
Dec	73-05	73-08	73-02	73-15
March	72-11	72-14	72-10	72-22
June	71-20	71-24	71-16	71-31
Sept	70-31	71-02	70-28	71-08
Dec	70-12	70-15	70-11	70-22
March	69-28	69-30	69-26	70-05
June	69-11	69-15	69-11	69-21
Sept	—	—	—	—
Dec	—	—	—	69-26

CERT DEPOSIT (IMM) $1m points of 100%

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	72-20	72-23	72-14	72-21
Sept	72-01	72-04	71-24	71-30
Dec	—	—	—	71-12
March	—	—	—	—
June	—	—	—	70-14
Sept	—	—	—	70-02

STERLING INDEX

	May 21	Previous
8.30 am	79.7	80.0
9.00 am	79.7	79.6
10.00 am	79.6	79.9
11.00 am	79.6	79.9
Noon	79.6	79.9
1.00 pm	79.5	79.7
2.00 pm	79.5	79.8
3.00 pm	79.1	79.8
4.00 pm	79.5	79.7

MONEY MARKETS

UK rates steady in quiet trading

Interest rates showed little change in *London yesterday*. The lower trend in U.S. rates was countered to some extent by a firmer dollar and signs of higher U.S. inflation. Furthermore, the scope for any fall in UK rates was considered fairly remote *in the short term, pending some* improvement in domestic economic indicators. Three-month interbank money was quoted at 12 9/16-12 11/16 per cent from 12 9/16-12⅝ per cent, while three-month eligible bank bills were *bid at 12 per cent unchanged* from Monday.

The Bank of England forecast a shortage of around £1,000m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £269m and the unwinding of previous sale and repurchase agreements a further £816m. In addition, the maturity of previous gilt/export credit repurchase facilities accounted for £688m and banks brought forward balances £50m below target. These were partly offset by Exchequer transactions which *added £800m. Temporary* facilities offered to banks yesterday carried a rate of 12 11/16 per cent.

To help alleviate the shortage the Bank offered an early round of assistance which totalled £190m and comprised purchases of £67m of eligible bank bills in band 1 (up to 14 days) at 12⅜ per cent, £47m in band 2 (15-33 days) at 12⅜ per cent, £56m in band 3 (34-63 days) at 12¼ per cent and £20m in band 4 (64-91 days) at 12 per cent.

The Bank gave further help in the morning of £215m through purchases of £180m of eligible bank bills in band 1 at 12⅜ per cent, £30m in band 3 at 12¼ per cent and £6m in band 4 at 12 per cent.

In the afternoon the authorities gave additional help of £362m, having revised the forecast to a shortage of around £900m. The afternoon help comprised purchases of £63m of eligible bank bills in band 1 at 12⅜ per cent and £169m in band 2 at 12⅜ per cent. In band 3 it bought £113m of eligible bank bills at 12¼ per cent and £17m in band 4 at 12 per cent. It also provided late assistance of £90m, making a total of £857m.

UK clearing banks base lending rate 12½-12¾ per cent since April 19.

MONEY RATES

May 21	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight........	5.40-5.50	10⅛	1⅛-1⅞	7⅛-7¼	6.09375	14⅛-16¼	9.70	12½-12¾
One month........	5.60-5.75	10 1/16-10 3/16	4 15/16-5 1/16	6 15/16-7 1/16	6.34375	14½-14½	8 15/16-9 1/16	10⅛-12¾
Two months........	5.60-5.75	10 1/16-10 3/16	—	—	—	—	—	12⅛-12¾
Three months........	5.65-5.80	10 1/16-10 3/16	5 1/16-5 3/16	6 13/16-6⅞	6.34375	14¾-16⅛	9⅛-9¼	12⅛-12¾
Six months........	5.70-5.85	10 3/16-10 5/16	—	6 13/16-6⅞	—	—	9⅛-9¼	12⅛-12¾
Lombard........	6.0	—	—	—	—	—	—	—
Intervention........	—	10⅛	—	6⅞	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

May 21 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight........	—	12½-13½	12⅝	12⅞	10-12⅝	—	—	—	—	—
2 days notice..	—	—	12⅝	—	—	—	—	—	—	—
7 days or........	—	—	—	—	—	—	—	—	—	—
7 days notice..	—	12⅝-12¾	12⅝-12¾	12¾	12½-10⅝	—	—	—	—	—
One month........	12 11/16-12 9/16	12⅝-12¾	12 11/16	12¾	12⅛	12 5/32	12¼	12 5/32	12¼	12 9/32
Two months........	12⅝-12½	12 9/16-12 11/16	12 11/16	—	12¼	12⅛	12 3/16	12⅛	12 3/16	12⅜
Three months........	12½-12⅝	12 9/16-12¾	12⅝	—	12	11 31/32	11 15/16	12	11 15/16-11 31/32	12⅝
Six months........	12 7/16-12 5/16	12¼-12⅝	12⅛	—	—	—	—	11 15/16	11 15/16-11⅞	12 3/16
Nine months........	12-11⅞	12⅛-12¼	—	—	—	—	—	—	—	—
One year........	11 15/16-11 13/16	12 1/16-12⅛	12 1/16	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month........	13¼-13	—	12⅝	7.55-7.65	7⅝-8	9-9⅛
Two months........	13⅛-12⅞	—	12⅝	7.6-7.7	7 13/16-8 1/16	9⅛-9¼
Three months........	13-12¾	—	12⅝	7.7-7.8	7⅞-8⅛	9 3/16-9 5/16
Six months........	12⅞-12⅝	—	12⅝	7.9-8.0	8-8¼	9 5/16-9 7/16
Nine months........	12⅞-12¼	—	12¼	8.15-8.25	—	—
One year........	12 7/16-12⅛	—	12⅛	8.35-8.45	8¼-8⅛	9⅛-9⅝
Two years........	—	11¾	—	—	—	—
Three years........	—	11⅝	—	—	—	—
Four years........	—	11⅝	—	—	—	—
Five years........	—	11⅝	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of Interest period April 3 to May 7 (inclusive): 12.787 per cent. Local authorities and finance houses seven days notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 13½ per cent from May 1, 1985. London and Scottish Clearing Bank Rates for lending 12½-13½ per cent. Bank Deposit Rates for sums at seven days' notice 8.65-7.25 per cent (net). Treasury Bills: Average tender rates of discount 11.9939 per cent. Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 12¾ per cent; one-three months 12⅝ per cent; three-six months 12½ per cent; six-nine months 12¼ per cent; nine-12 months 12⅛ per cent. Under £100,000 11¾ per cent from May 14. Deposits held under Series 5 12¼ per cent. The rate for all deposits withdrawn for cash 5 per cent.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	8¾
Fed funds	7 13/16
Fed funds at intervention ...	—

Treasury Bills

One month	6.70
Two month	7.20
Three month	7.30
Six month	7.45
One year	7.64

Treasury Bonds

Two year	101 4/32
Three year	101 ¾
Four year	104 25/32
Five year	105 5/32
Seven year	106 ⅞
10 year	104
30 year	103 14/32

FT LONDON INTERBANK FIXING

(11.00 a.m. May 21)	
3 months U.S. dollars	
bid 7 7/8	offer 8
6 months U.S. dollars	
bid 8 1/8	offer 8 1/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

Contracts and Tenders

REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

REPUBLIQUE ALGERIENNE DOMOCRATIQUE ET POPULAIRE
(Algerian Popular Democratic Republic)

MINISTERE DE L'ENERGIE ET DES INDUSTRIES CHIMIQUES & PETROCHIMIQUES
(Ministry for Energy & Chemical & Petrochemical Industries)

ENTERPRISE NATIONALE DES TRAVAUX AUX PUITS
(National Oil Exploration Company)

NOTICE OF CALL FOR TENDERS
NUMBER 9138/AY/MEC

The National Oil Exploration Company is launching an open National and International Cell for Tenders for the supply of:

Lot No. 1: Tractor 6 x 6 equipped with winch, 450-500 h.p.

Lot no. 2: Tractor 6 x 6 with 30 ton capacity, 300 h.p.

Tenderers interested in this Call for Tenders may obtain the specifications from the following address: Entereprise Nationale des Travaux aux Puits, 16 Route de Meftah, Oued Smar, El-Harrach, Algiers, Algeria, Direction des Approvisionnements [Supplies Division] for the sum of 400 Algerian Dinars with effect from the date on which this notice is published.

Offers of which five (05) copies should be prepared, must be sent in a double-sealed envelope by rogistered mail to the Secretariat de la Direction Approvisionnements [Secretariet, Supplies Division] at the ebove eddress.

The outer envelope should not bear any mark that might identify the tenderer, or any notice.

Selection will be made within 180 days of the closing date of this Call for Tenders.
hoading, end should read: "Appel a la concurrence National et International no. 9138/AY/MEC" [Nadonal and International Call for Tenders no. 9138/AY/MEC].

Tenders must be received 45 days at the latest from the first date of publication of this notice.

REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

REPUBLIQUE ALGERIENNE DOMOCRATIQUE ET POPULAIRE
(Algerian Popular Democratic Republic)

MINISTERE DE L'ENERGIE ET DES INDUSTRIES CHIMIQUES & PETROCHIMIQUES
(Ministry for Energy & Chemical & Petrochemical Industries)

ENTERPRISE NATIONALE DES TRAVAUX AUX PUITS
(National Oil Exploration Company)

NOTICE OF CALL FOR TENDERS
NUMBER 9140/AY/MEC

The National Oil Exploitation Company is launching a National and International Call for Tenders fo rthe supply of the following equipment:

Lot no. 1: Ambulance L.R. Type 109

Lot no. 2: Jeep for trouble-shooting/inspection purposes Type 109

Tenderers inteersted in this Call for Tenders may obtain the specifications for the sum of 400 Algerian Dinars from the following address: Enterprise Nedonale des Travaux aux Puits, 16 Route de Meftah, Oued Smar, El-Harrach, Algiers, Algeria, with effect from the date on which this nodce is published.

Offers of which five (05) copies should be prepared, must be sent in a double-sealed envelope by registered mail to the Secretariat de la Direcdon Approvisionnements [Secretariat, Supplies Division] at the above address.

The outer envelope should not bear any mark that might identify the tenderer, or any heeding, and should read: "Appel e le concurrence National et International no. 9140/AY/MEC" [National and International open Call for Tenders No. 9140/AY/MEC].

Tenders must be received 45 days at the latest from the first date of poblication of this notice.

Selection will be made within 180 days of the closing date of this Call for Tenders.

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ANDREW WYLD GALLERIES, 17 Clifford Street, W1. 734 3375. Watercolours Drawings and Oil Paintings FROM GAINSBOROUGH TO TURNER. Until 31st May. 10-6 Mon-Fri.

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Hong Kong	2035	1400	482
Round the World	2035	1599	745

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Company Notices

GENERAL MOTORS CORPORATION

NOTICE IS HEREBY GIVEN that resulting from the Corporatioo's Declaration of a Divideod of $1.25 (gross) per share of the Common Stock of the Corporation, payable on the 10th Juoe, 1985, there will become due in respect of Bearer Depositary Receipts a gross distribution of 6.25 cents per unit.

The Depositary will give further notice of the Sterling Equivalent of the net distributioo per unit payable on and after the 17th June, 1985.

All claims must be accompanied by a completed Claim Form and USA Tax Declaration obtainable from the Depositary. Claimants other than UK Banks and Members of The Stock Exchange must lodge their Bearer Depositary Receipts for marking. Postal claims cannot be accepted. The Corporation's First Report for 1985 will be available upon application to the Depositary named below.

Barclays Bank PLC
Securities Services Department
54 Lombard Street
London EC3P 3AH

NATIONAL AUSTRALIA BANK LIMITED

(Incorporated in the State of Victoria, Australia)

NOTICE IS HEREBY GIVEN that the Registers of members and Transfer books of the Company will be closed on 7th June, 1985 for one day only for the purpose of payment of the interim dividend on 12th July, 1985. Transfers must be lodged not later than 5 a.m. on 6th June, 1985.

By order of the Board of Directors
P. I. COCHRANE B. Comm. F.C.I.S.
Secretary

BANCO DE LA NACION

U.S. DOLLARS 25,000,000
FLOATING RATE NOTES DUE 1988

In accordance with the terms and conditions of the above Notes, notice is hereby given that for the period May 20, 1985, to November 20, 1985, the Notes will carry an interest rate of 9[illegible]%.

The coupon amount per U.S. Dollars 100,000 nominal will be U.S. Dollars 4,568.05.

BANQUE INTERNATIONALE A LUXEMBOURG
Societe Anonyme
Fiscal Agent

Money Market Cheque Account Jersey

Gross Rate	Compounded Annual Rate
12.05	12.74

(Minimum balance £2500)
Annual Report and Accounts available on request.
Manager: Ronnie Home
4 Don Road, St. Helier, Jersey. Tel: 0534 38855.
BANK OF SCOTLAND
(Incorporated in Edinburgh, 1695)

TAYLOR WOODROW INTERNATIONAL FINANCE B.V.

The annual report and accounts for the year ended 31st December, 1984 of the above company and those of Taylor Woodrow plc have been published and are available from the offices of Hoare Govett Limited, 27, Throgmorton Street, London, EC2 2AN.

Legal Notices

IN THE MATTER OF THE COMPANIES ACT 1948 AND SPOKEMAY LIMITED

NOTICE IS HEREBY GIVEN Pursuant to Section 293 of the Companies Act 1948 that a MEETING of the Creditors of the above-named Company will be held at Great Eastern Hotel, London, E.C.2, on Thursday the 23rd May 1985 at 2.30 pm for the purposes mentioned in Sections 294 and 295 of the Said Act.

Dated this 9th May 1985.
By Order of the Board,
P. M. PATEL,
Director.

Personal

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OVER-THE-COUNTER

Continued from Page 36

Stock	Sales (Hnds)	High	Low	Last	Chng	Stock	Sales (Hnds)	High	Low	Last	Chng
TriadSy	120	7½	7⅜	7⅜		YorkFd .80	8	14⅝	14¼	14⅝	−⅜
TriMic	75	5¾	5⅝	5⅝	−¼	Zehntel	1217	4	3⅝	4	+⅜
TrioCm	4	3⅜	3⅜	3⅜	+⅛	ZenLb s	1561	44¾	42½	44	−¾
Trion .10	4	8¼	8⅛	8⅛	−⅛	ZenNtl .68	22	14½	14½	14½	
TrusJo .40	541	27¼	26½	27¼	+¾	Zentec	28	2¾	2½	2½	−¼
TBkGa 1	182	37¼	36¾	36¾		Zitel	90	4	3¾	3¾	
TrstNY 1.20	4	31½	30¾	30¾	+¼	Ziyad	143	5½	5¼	5⅜	−⅛
TuckOr	75	6⅛	6⅛	6⅛	−⅛	Zondvn .08j	165	10¼	10	10¼	+¼
TwnCty	119	¾	⅝	11-16	−1-16	Zycad	184	14½	14¼	14½	+¼
Tylan	21	20	19	20	+1	Zymos	60	2½	2⅜	2½	+1-16
						vjZytrx	216	¼	3-16	¼	

BASE LENDING RATES

A.B.N. Bank	12½%	C. Hoare & Co.	12½%
Allied Irish Bank	12½%	Hongkong & Shanghai	12½%
American Express Bk.	12½%	Johnson Matthey Bkrs.	13 %
■ Henry Ansbacher	12½%	Knowsley & Co. Ltd.	13½%
Amro Bank	12½%	Lloyds Bank	12½%
Associates Cap. Corp.	13 %	Edward Manson & Co.	13½%
Banco de Bilbao	12½%	Meghraj & Sons Ltd.	12½%
Bank Hapoalim	12½%	Midland Bank	12½%
BCCI	12½%	■ Morgan Grenfell	12½%
Bank of Ireland	12½%	Mount-Credit Corp. Ltd.	12½%
Bank of Cyprus	12½%	National Bk. of Kuwait	12½%
Bank of India	12½%	National Girobank	12½%
Bank of Scotland	12½%	National Westminster	12½%
Banque Belge Ltd.	12½%	Northern Bank Ltd.	12½%
Barclays Bank	12½%	Norwich Gen. Trust	12½%
Beneficial Trust Ltd.	13½%	People's Trust	14 %
Brit. Bank of Mid. East	12½%	Provincial Trust Ltd.	13½%
Brown Shipley	12½%	R. Raphael & Sons	12½%
CL Bank Nederland	12½%	P. S. Refson	12½%
Canada Permanent	12½%	Roxburghe Guarantee	13½%
Cayzer Ltd.	12½%	Royal Bank of Scotland	12½%
Cedar Holdings	13 %	Royal Trust Co. Canada	12½%
■ Charterhouse Japhet	12½%	■ J. Henry Schroder Wagg	12½%
Choulartons**		Standard Chartered	‖12½%
Citibank NA	12½%	TCB	12½%
Citibank Savings	¶12½%	Trustee Savings Bank	12½%
Clydesdale Bank	12½%	United Bank of Kuwait	12½%
C. E. Coates & Co. Ltd.	13½%	United Mizrahi Bank	12½%
Comm. Bk. N. East	13 %	Westpac Banking Corp.	13 %
Consolidated Credits	12½%	Whiteaway Laidlaw	13½%
Co-operative Bank	*12½%	Williams & Glyn's	12½%
The Cyprus Popular Bk.	12½%	Wintrust Secs. Ltd.	12½%
Dunbar & Co. Ltd.	12½%	Yorkshire Bank	12½%
Duncan Lawrie	12½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	13½%		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptns.	13½%		
Grindlays Bank	‡12½%		
■ Guinness Mahon	12½%		
■ Hambros Bank	12½%		
Heritable & Gen. Trust	12½%		
■ Hill Samuel	§12½%		

■ Members of the Accepting Houses Committee.
* 7 day deposits 9½%. 1 month 10¼%. Top Tier—£2,500+ at 3 months notice 12¼%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 9½% gross.
‖ 21-day deposits over £1,000 10½%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 9¼%.

FINANCIAL TIMES SURVEY

FINLAND

ECONOMY AND INDUSTRY

This northern country of 4.9m people benefits considerably from its neutral status and its location between East and West, selling extensively in foreign markets.

By KEVIN DONE, NORDIC CORRESPONDENT

MR KALEVI SORSA, the Social Democratic Prime Minister of Finland, staged a small quiz for a large gathering of foreign bankers and investment analysts in Helsinki last year shortly before the U.S. presidential election.

"Can you please name a country where market forces operate so freely as to frighten some firms, where there is no international terrorism and never has been, where prayer in schools has been part of daily life for decades, and where supply side economics has been standard operating procedure long before this particular slogan was coined.

"The right reply is not the wonderland of the future outlined on the Republican Party platform in Dallas, but Finland today."

He might have added to be fair, but did not: Which West European parliamentary democracy has had Communists regularly participating in Government coalitions during the post-war period, is dependent on the Soviet Union for about a quarter of its exports, has built its foreign policy firmly around a treaty of friendship, co-operation and mutual assistance with Moscow, shares a 1,270-kilometre border with the Soviet Union and depends on the Soviet Union for the bulk of its energy imports?

The answer would again be Finland.

This Nordic country has often appeared to be rather uncomfortably perched between East and West, but the experience of recent years hardly suggests that Finland's geo-political position has hampered its economic development.

On the contrary, it has benefited in economic terms from its neutral status and its location between East and West.

Finland has consistently outperformed most of Europe in recent years and has enjoyed one of the highest and most stable growth rates in the whole of the OECD. It is in the middle of a fourth year where Gross National Product is again expected to grow by a little more than 3 per cent.

The Finnish economy in fact expanded a little more slowly than expected last year, chiefly because of a disappointing delay in investment, caused by the tight monetary policies pursued by the Bank of Finland, the central bank, for much of the year.

The monetary authorities were concerned, however, to prevent overheating of the economy, which has occurred previously at times of strong international expansion. "The major objective has been to break out of the devaluation/inflation cycle," says Mr Pertti Sorsa, head of the economics department at the Ministry of Finance.

"We have made progress in this respect, but it is still too early to say if we have decisively broken out of this vicious circle. Next year's wage round will be a crucial test."

Economic growth was sustained last year chiefly by export demand from Western markets. Finnish exports to the West last year grew by as much as 17 per cent, while exports to eastern markets declined by around 12 per cent.

The balancing act of compensating a decline in certain export markets — last year the Soviet Union — with an increase elsewhere — in 1984 the West and in particular the UK, the U.S. and other Scandinavian countries — has been one of the more crucial factors behind the success of the Finnish economy in recent years.

Over the two years 1985-86 with the build-up of the USSR's next five-year plan, the process is expected to work in reverse. Finland's eastern trade is expected to show a growth of some 14 per cent this year according to official forecasts, followed by a further rise of perhaps 9 per cent in 1986.

Such a development will help compensate for the forecast slow-down in exports to western markets, where growth could shrink to as little as 1-2 per cent in 1985-86.

Finland has been more successful than most European countries in avoiding "Eurosclerosis" — intractable unemployment problems, weak technological development and insufficient adjustment to a changing environment. According to Dr Hannu Halttunen of the European Free Trade Association, the major factors behind the country's progress, apart from the special arrangements in eastern trade, have been relatively successful economic policies and an increasing social consensus.

Since 1977 Finland has been able to create more than 150,000 new jobs in a period that job creation has stagnated in most other countries. Unemployment at about 6 per cent is still far below the European average.

The price Finland has had to pay for its rapid growth has been a weaker external balance and a higher inflation rate than in other European countries on average. The most recent indications suggest, however, that it has made significant progress in improving the trade-off between inflation and foreign deficits on the one hand and economic expansion and lower unemployment on the other.

The current account was brought into balance last year and has strengthened structurally according to Dr Halttunen, no longer setting such constraints on economic policy as in the past.

Inflation has also moderated in the face of careful fiscal policies and tight monetary restraints. Prices were still rising at an annual rate of above 6 per cent in the first half of 1985, but the financial authorities are still hopeful of coming down to the OECD average during next year.

State finances have also been kept in order. Finland has never embarked on an unbridled expansion of the public sector in the manner of its closest Nordic neighbours and as a result Finnish Government debt in relation to GDP is among the lowest in Europe.

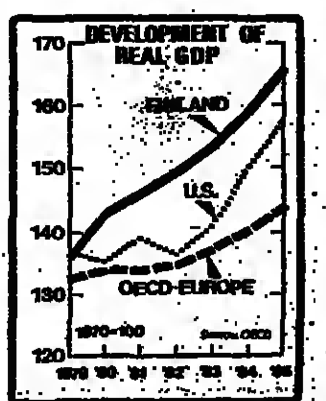
Wage drift remains a problem, however, and pressures are growing, particularly in the public sector which appear to guarantee heated negotiations during the winter, and will provide a new test of the willingness of the major actors in the Finnish economy to continue along the consensus path.

At the same time Finland looks with some concern at the economic upheavals in Sweden. Finnish industry is particularly sensitive to competitive developments in the Swedish economy, and the Finnish authorities were forced into a devaluation in October 1982 as a defensive response to Sweden's dramatic devaluation.

Finland has been a relatively late industrial developer, but its growth and internationalisation has accelerated sharply during the 1980s. A growing list of companies hitherto largely unknown outside Finland are beginning to make their presence felt abroad.

Finnish direct investment abroad quadrupled between 1981 and 1984, according to the foreign financing department of the Bank of Finland. And during the same period the total number of Finnish companies operating abroad increased by one-third.

Finnish foreign investments have been concentrated on Sweden, the UK and North America, and Finland's Nordic neighbour has proved particularly important for companies first embarking on the process of internationalisation.



Koivisto mandate still intact

THE STANDING of President Mauno Koivisto three years after taking office with the strongest personal mandate ever received by a Finnish presidential candidate is still remarkably intact.

Following into office the redoubtable President Urho Kekkonen, who bestrode the Finnish scene for a quarter of a century from his election in 1956 to retirement through illness in October 1981, President Koivisto faced an unenviable task.

The Finnish constitution is "semi-presidential" and the President has considerable powers in both the forming of governments and the dissolving of Parliament. Just as importantly, under the written constitution the President is leader of the country's foreign policy.

In foreign affairs President Koivisto has unerringly taken up the line inherited from his predecessors—Presidents Pasikivi and Kekkonen — ensuring continuity and quickly establishing stable relations with the Soviet Union, despite the rapid change of leaders in Moscow.

Domestically, however, he has chosen another path and one very different from the often autocratic President Kekkonen.

"It is evident that he wants to make Finland a clear-cut parliamentary democracy." Mr Kalevi Sorsa, the Finnish Prime Minister, told the Financial Times. "Our constitution is not very clear on that point and leaves it up to the president to decide on how far he wants to go in exercising his powers.

"President Kekkonen went to extremes in using all official and unofficial forms of influence. President Koivisto acts quite systematically in the contrary fashion, he refrains from using power he wishes to belong to government."

The first three years of President Koivisto's six-year term of office have in fact been remarkably uneventful on the domestic political scene, and economically the country has been enjoying a period of surprisingly steady growth and prosperity. The President has enjoyed calm in all respects but one — his relations with the media.

His three-year presidency has been punctuated by a series of undignified rows with the press and the state television, which have at times verged on the absurd.

Where President Kekkonen kept the press almost in awe of his office, President Koivisto has chosen to give up much of the aura of authority. The press has undoubtedly felt itself freer to criticise.

The President a rather modest and introspective economist, is renowned for making cryptic and enigmatic statements which subsequently lead only to confusion.

"The President feels misrepresented by the press," says one close observer. "He has a tendency to talk in a very intricate way, so misunderstandings are not impossible."

After his recent visit to the UK he was so enraged by one newspaper article that he stormed out of his cabin on the plane on the flight back to Helsinki to remonstrate with the reporter. The picture of the event has already become the press photo of the year in Finland.

Changing faces of the coalitions

THE GOAL is still to remain in office for the entire term between elections, says Mr Kalevi Sorsa, twice Finnish Prime Minister in the 1970s and again heed of government since 1982.

Against the background of earlier Finnish history and the frequent changes of government the present four-party Sorsa administration is indeed showing a suprising stability. The unexpected inclusion after the last election in March 1983 of the small and tronblesome Rural Party led by the father and son team of Veikko and Pekka Vannamo, had been expected to give the government an uncertain future, but the disagreements seem largely to heve been contained within the ranks of the Rural Party itself.

In fect although the feces in Finnish governments changed more rapidly, the country has actually been ruled by coalitions formed around the partnership of the Social Democratic and Centre parties for most of the period since 1937.

When it has suited, parties from right and left of the political spectrum have been inclnded in the coalition. Before the 1983 election the Conservatives (National Coalition Party) boosted by a strong showing in the opinion polls, were preparing to return to government after e break of 18 years, but failure on election day continued their exclusion.

More often than not the Communists have been included in government since 1966. By late 1982, however, the interminable splits within the Communists' own ranks and their unreliability as a government partner had caused Prime Minister Sorsa to lose petience and they were forced out shortly before the election.

The position has not changed since. "At present internal conflicts make participation by the Communists in government impossible," said Mr Sorsa. Otherwise the opposition was dispersed, he said. "No serious alternatives to the present coalition are evident. The right is pursuing a more strident policy of opposition, but does not heve the strength to topple the government."

In fact the Fiuish Parliament has a clear non-Socialist majority, but nonetheless it is the Social Democrats, which currently supply both Prime Minister and President. In practice the Finnish constitution works against "bloc" politics by demanding a qualified majority for most legislative changes. Few laws can be passed without a two-thirds majority in the Parliament, a factor which works in Finland to encourage consensus and agreement across bloc lines. The situation is different to neighbouring Sweden, where block politics is very much the order of the day.

Mr Sorsa says Finish politics have been marked in recent years by a conscious attempt by the major parties to maintain a low profile. "Is other words serious disagreement has been avoided, particularly among the parties in government."

Politics

KEVIN DONE

He admits, however, that the result has led—in his own words—"to charges of party uniformity, of politics without zest." Recently the parties, both in government and opposition have sought to raise their profiles. Trouble for the coalition has been forecast, but the Prime Minister at least is confident the disputes will not force any change in government.

The government is currently made up of the Social Democrats, the Centre Party, the Rural Party and the Swedish People's Party. The seats in Parliament are: Social Democrats 57, National Coalition (Conservatives) 44, Centre Party 38, People's Democatic League (Communists and Left Socielists) 27, Rural Party 17, Swedish People's Party 11, Christian League 3, Greens 2, and the Constitutional Party 1.

Certainly the last test of electoral opinion—the local elections held in October—was no mandate for e change. Apart from the relative success of the Greens, the election — held amidst various trials and allegations concerning corruption in local government — was chiefly notable for its low turnout of voters. (Low by Finnish standards at 73.5 per cent).

The low poll prompted renewed debate about whether the Finnish population was becoming alienated from politics and politicians.

The issue has taken on wider implications within the whole debate about consensus in Finnish society. Agreement on foreign policy in Finland is today so widely-based that barely a critical voice is raised and the consensus also blurs the lines in domestic politics.

The need for a two-thirds majority in Parliament often tends to dam sought-after reforms, which are then only resolved in the forum of the centralised wage bargaining process. Decisions are reached on issues going far beyond the immediate pay negotiations by the main actors in Finnish society, the Government, trades unions, industry and the agricultural organisations — and Parliament tends to be bypassed in the process.

In the last wage round finalised in March last year, issues such as a reform of the unemployment benefit system and shorter working hours were dealt with. The resulting deal included a two-year agreement on wages, one major factor behind the calm of the past 12-months, but it has given rise to more charges of "economic policy being made behind closed doors."

Mr Sorsa is seeking a central agreement between the unions end employers in the next wage round and the fight for such a deal is certain to enliven the political debate from the autumn onwards.

Meanwhile, some of the other architects of Finnish consensus have been jumping to its defence. Mr Max Jakobson, until the end of last year managing director of the Council of Economic Organisataions in Finland and formerly Finland's permanent represetative et the Uited Nations, is scathing about the recent discussion that "has managed to produce the magic feat of making broad understanding seem like e national misfortune and strife and dissension the road to salvation."

"What could be the alternative," he asked recently, "to a policy aimed et strengthening ur nation's international competitiveness, curbing inflation and in this way improving employment and maintaining a high standard of living?"

An alternative is, of course available. It is the alternative of a debt spiral, growing budget deficits, tax increases, sharpening political conflicts and industrial struggles.

Still speaking with two voices

"FINAL SPLIT in the offing." That prediction, describing the situation in the Finnish Communist Party, could well make it to the Guinness Book of Records in the category "the most frequently-published newspaper headlines."

The FCP has spoken with two voices for almost two decades but with the recently elected leadership the party will probably split at last, according to many observers, even by the end of this year.

If and when this happens the pro-Soviet faction will have 16 seats in the parliament while the more "Eurocommunist" majority has 11.

Since its birth in 1918 the FCP has had a very colourful history. Due to the staunchly anti-Communist sentiment in Finland the FCP had to stay in exile in Moscow ever since its foundation until 1945. That is when the Soviet Union, after winning the war against Finland, insisted that also Communists be allowed to take part in the country's political life.

In their first elections after the war the FCP gained 49 seats out of 200, their second biggest parliamentary group ever. In the post-war days the FCP was alone in trying to build bridges and forget animosities between Finland and the Soviet Union.

Communist Party

OLLI VIRTANEN

During the next decades the party's vanguard role in relations between the two countries gradually diminished as other Finnish politicians began to cement the relations, too. Today practically all Finnish political parties have a "working relationship" with Moscow.

The FCP's umbrella organisation, the People's Democratic League, now holds a total of 27 seats in the parliament, with three of the MPs not belonging to the FCP.

Apart from the fact that the party has lost its pioneering role in relations with Moscow, the FCP has also lost clout in domestic affairs. With rising living standards and wide ranging social security programmes in particular, the Communists do not have a fertile breeding ground for discontent any more. Subsequently they have lost votes to the Social Democratic Party.

So bickering among party comrades began instead. The two factions emerged into daylight after the occupation of Czechoslovakia in 1968. The FCP leadership dared to question the wisdom of sending forces in while the Stalinist minority in the party unequivocally suported it.

Since then the trenches have been manned and both sides have fired volleys at each other, though many of the minority's shot have been amplified by the cannon of the Kremlin.

The latest crisis and the final march towards the formation of two separate parties began in 1982 when the long-serving party chairman Aarne Saarinen retired, and made e controversial farewell speech in which he strongly advocated an independent policy for the FCP.

After the short tenure of s compromise successor to Saarinen, the majority dominated the party conference in 1983 and elected Arvo Aalto, the Finnish Communist most criticised by the Kremlin, as the new chairman.

Right after the conference the new leadership began to form parallel regional organisations in areas where minorities called the shots. So the small majority now controls the party at its will.

The main reason for why the minority has not jumped off the bandwagon is Moscow. The Soviet Communist Party has, along the years made it clear that it wants to see a united Communist Party in Finland.

As the situation has become almost unbearable for both factions the final division is now only a question of time.

Exports to the West up by 27 per cent

Trade

OLLI VIRTANEN

FINLAND'S trading partners are usually divided into geographical entities. In recent times the emphasis has clearly been on the Western countries while in the East, meaning the Soviet Union, the trade has stagnated.

Last year, Finland's exports to the West rose by a remarkable 27 per cent while in the East exports suffered a 13 per cent drop. At the same time Finland produced the oiggest balance of payments surplus ever.

Total exports, which rose by 16 per cent to Fmk 80.9bn ($12.4bn), exceeded imports by Fmk 6.2bn ($954m). Exports per capita reached $2,550.

The Soviet Union still firmly remains as the country's number one trading partner with 21 per cent of the total volume. Next in the statistics come Sweden, West Germany, Britain and the Untied States, each of them having 10 per cent or just under of the total.

Trade with the Soviet Union has provided Finland an ideal insurance against recessions in world trade. Conducted on a bilateral basis with no money changing hands, it has grown steadily until the very recent years.

Some 75 per cent of Finland's imports from the Soviet Union consists of oil products and crude oil with another 10 per cent in other forms of energy. So, as imports are paid for the same value of exports, rising oil prices are used to createe an eutomatic formula for increasing exports of manufactured goods to the next-door neighbour.

The arrangement worked well for the Finns during the 1970s and early 1980s when oil prices shot up fast. Now, with the prices tumbling, and consumption in Finland declining, both parties are keen to find more imports from the Soviet Union. This has proved rather difficult and consequently the volume of trade has declined.

Now both countries are searching for new waye to correct the situation. Finnish officials, led by Prime Minister Kalevi Sorsa, have indicated that they would like to undertake certain projects and deals on hard currency basis.

So far, the Soviets have given only a guarded response to the idea. Other ways to expand trade between the two countries would be increased industrial co-operation and compensation deals.

If hard currencies will not bring relief industrial co-operation probably will. Shipbuilding offers plenty of examples where the Soviets supply raw materials and equipment for vessels built in Finland. The same principle works the other way round, too.

The Finnish shipbuilding company Rauma-Repola is currently building legs for two massive oil-drilling rigs which are under construction in the Soviet Union. And in the chemical industry, Kemira recently signed e contract to import Fmk 4bn-worth of base material for fertilisers and export fertilisers back to the Soviet Union for the same value over the next 15 years.

Joint ventures

Trade officials in both countries heve urged more joint ventures in the third countries, too.

In the Western markets Finland's traditional exports, forest industry and metal and engineering products as well as those of the chemical industry, have managed to hold their own well.

Forest industry exports were up 17 per cent in 1984, taking 38 per cent of total exports. The biggest market for the industry is still the UK, which takes a third of its total paper imports from Finland.

High value of the dollar has helped the Finnish producers considerably. Even though most of the exports are not billed in dollars, the high value of the currency has kept North American producers off the European markets.

Metal and engineering industry takes 35 per cent of total exports with the most important items being ships and paper industry machinery. Over the years metal and engineering industry has gained more share of Finland's exports and it is likely to exceed forest industry exports in the near future.

Apart from hydropower and peat, Finland possesses no indigenous forms of energy; thus all of the country's oil as well as gas and coal is imported. Some 92 per cent of Finland's crude oil comes from the Soviet Union making up 16 per cent of the total imports. All raw materials and capital goods make up almost two thirds of imports.

Perhaps the most surprising feature in imports is that their volume declined last year. Energy imports, for example, were down 2 per cent from 1983. The volume in capital goods imports remained on the same level as the previous year. This is attributed to a more cautious purchasing policy as rising interest rates in Finland forced companies to streamline their stockpiles. Investment activity, however, has remained on satisfactory levels.

Another increasingly popular form of investment ectivity is to buy companies abroad. aLst year Finnish companies invested some FM 2bn ($300m) in foreign acquisitions. Sweden is traditionally "the second home market" for Finnish companies but the U.S. and Britain have also been frequent targets.

With companies becoming more active in foreign markets Finnish banks have followed in tow. Last year all the major banks set up or expanded their bases abroad. However, the country's insurance companies, which expanded their foreign operations rapidly in the early 1980s, have suffered substantial losses in foreign markets and many of them have quietly scaled down their presence abroad.

Cautious transition to deregulation

Financial markets

KEVIN DONE

FINNISH financial markets are in a period of transition. Gradually the country is moving away from administratively controlled, low interest rates, credit rationing and an undeveloped capital market.

The transition is cautious and watched over by the Bank of Finland, the central bank, which is a recent convert to reform.

A growing market for deregulated finance has developed. With slower inflation, officially regulated interest rates have become positive—as was usual in the 1950s and 1960s—and new services and diversified investment outlets have emerged.

Parts of the comfortable cartel among the banks remain, but competition has become tougher. With the entry of foreign banks Finnish ones can no longer count on business from major corporate clients. Even with such changes, however, the market is still small.

In spite of such changes, one feature that remains is the tax-free bank deposit system for *households*, where interest rates are fixed with the guidance of the Bank of Finland.

This means that average *lending rates are* also regulated according to a particular formula. This has been modified to allow banks to reflect part *of the higher costs* of unregulated funding, but rules out players such as the foreign banks from many operations when they do not have access to the cheap funding base.

Valid

"The domestic market is still extremely difficult," says Mr Kari Mannola, managing director of Citibank's Finnish subsidiary, "Interest regulations are still valid on the lending side and funding is conditioned by tax-exempt *standard deposit* accounts.

"We are out of that market. Our Finnmark funding must come from the expensive free market where rates are close to central bank overnight rates and above what we are able to charge for lending.

"We can only use the free market for marginal funding."

Unregulated finance began to *grow in the late 1970s* with the build-up of corporate sector liquidity. Companies began to seek financial assets which *would yield a high return and* be sufficiently liquid to be withdrawn for long-term real investments.

A "grey market" emerged, although today the Finns prefer to talk of short-term market money or unregulated finance.

Mr Rolf Kullberg, Governor of the Bank of Finland, says "a sceptical and often negative view" was taken initially of the changes in the financial markets. It was finally accepted, however, that the changes were inevitable.

"It is better to guide the transition in a controlled fashion rather than to try to *maintain structures* which will be forced to give way under the influence of a changing environment," he told the Finnish Economic Association.

In spite of its history of financial regulation, Finland is accepting that evolntion of markets tends to improve the financial system and the efficiency of the economy.

The stronger role of unregulated interest rates has helped change the way the central bank implements monetary policy with interest rates rather than the availability of credit.

Relaxed

In 1983, upper limits on average lending rates were relaxed, which allowed the banks to pass on part of the cost of unregulated rate funding. The Bank of Finland was anxious to channel more of the unregulated financa through the banking system.

"Five years ago the regulated market was 98 per cent of domestic funding," says Union Bank of Finland international division manager, Mr Niilo Pellonmaa. "Today it is about 70 per cent of commercial banking and is reducing.

"On the other 30 per cent we have tough competition. On the regulated side you can only compete with advertising, coffee and cakes and handshakes."

Finland therefore runs a dual-rate system. "It is an unavoidable phenomenon of the transition," Mr Kullberg says. Tension between the two parts of the market are unavoidable.

As the importance of the rate of interest increases Mr Kullberg expects rationalisation of banking, including streamlining of branch networks. The central bank appears far from ready, however, for a complete dismantling of interest rate controls because of fears of instability.

The bank is also not ready to abandon regulation of capital flows because of concern that its monetary *policy* autonomy may be undermined.

Increased sensitivity of capital flows has been caused by the *internationalisation* of business and its growing interest rates and price awareness. This, and price competition *in the deregulated* market has also had other effects helping to loosen the tight bonds between the big banks and corporate customers.

"The relationship is changing because we are getting a more market-oriented banking system," says Mr Jaakko Lassila, chief executive of Kansallis-Osake-Pankki, Finland's biggest bank.

"With the tremendous increase in short-term money market funds, each company is *shopping around*."

Mr Lassila says that in foreign exchange, guarantees and short-term money market funds, the "house bank" rule no longer applies. "On the lending side for long-term investment financing and working capital lending, the old rules still apply. But already in short-term trade finance the competition *is* felt."

He is still able to divide the heights of the Finnish corporate sector into two groups however, one dominated by KOP and the other by Union Bank of Finland. Influence is shared in a third group.

In the KOP camp are big corporations such as Neste, Kone, Finnair, United Paper Mills, Enso Gotzeit, Rauma Repola, Kemira, Amer, Outukumpu and Huhtamäki. The Union Bank sphere includes Ahlström, Wärtsilä, Schauman, Kymene Strömberg, Effoa, Kaukas, Serlachius, Finlayson and *Fiskars*.

The banks also hold stakes in several listed companies. KOP, for instance, has between 3 and 8 per cent of Pohjola, Kapaani, Nokia, Rauma-Repola, United Paper Mills and Sponsor.

Growing pains after the boom

Stock market

KEVIN DONE

FOREIGN investors tempted to buy Finnish equities during the euphoric boom on Helsinki stock exchange in 1983 and early 1984 have had an uncomfortable baptism. The market *has* been *falling for around* 12 months and claims from some dealers that the bottom has been reached remain unconvincing.

Helsinki was caught unprepared by the rush of interest from foreign investors, which spilled over from the boom in the neighbouring Swedish stock market. They underestimated the local problems arising from a market, which is much smaller than Stockholm and which is influenced by Finland's own particular taxation and political pressures.

The market *is* internationalising. Activity has grown enormously and changes are being studied, which could make more shares available for purchase by foreign investors and which could stimulate more interest from domestic investors. But the pace of change is slow and Helsinki has undoubtedly suffered growing pains.

"There was too much in a short time," says Mr Tapio Niemi, manager of the securities department at Kansallis-Osake-Pankki, Finland's biggest bank. "It was difficult to explain that what happened in Stockholm was not going to happen here. The market is much smaller. The prices of free shares (shares available *for purchase by foreign investors*) went up too fast. We did not have the free shares available. The market is very thin."

Despite the problems the market is barely recognisable compared with the operations of even the early 1980s. Turnover on the Helsinki stock exchange doubled last year to FMk 7.5bn from 1983 and since 1980 turnover has risen tenfold from some FMk 698m.

The market was submerged in new issues last year, which helps to explain the substantial drop in prices. A record 22 new issues were launched raising FMk 2.88bn of risk capital.

Prices have plunged, however. At the beginning of 1984 the exchange began to quote *non-restricted* shares in a separate series, so that foreign investors could better follow the price trends of shares open to non-residents. *The* index has not made happy reading.

By the end of April the KOP shares index had fallen by 16.4 per cent since the beginning of the year. It was down by 26.7 per cent from the beginning of 1984 and had plunged by some 42 per cent from the peak reached in June 1984.

Both domestic and foreign investors have been showing much more interest in Finnish bonds than equities in recent months. One of the special features of the Finnish financial markets is the existence of tax-free deposits and tax free bonds issued by both the *state* and the mortgage institutions.

With ten-year tax bonds 9-10 *per cent*, it is *hardly surprising* that one Finnish analyst concludes: "Finish investors do not want to take the risks of the *stock market* when they can get a 5 per cent real yield elsewhere."

Capital gains are also taxable for domestic investors in equities at the marginal income tax rate unless the securities have been held for five years, which also makes the Finnish market more flexible. The turnover of shares issued is still only about 5 per cent a year compared with the 30-40 per cent of some major international stock exchanges.

Foreign investors have been attracted to the 12.5-13 per cent yields available on Finnish taxable bonds and debentures (tax-free to non-residents) with the Bank of Finland intent on running a tight monetary policy for domestic purposes.

The sales of taxable debentures and other bonds bas jumped to FMk 2.8bn in the first four months of 1985 alone, a sum equal to the total raised in 1984 and 1983 together. There have been some suggestions that this market could be closed to foreigners—in the same way that occurred in *Norway last year—but the Bank* of Finland has made no moves in this direction yet.

Finnish companies have actively sought their way into international capital markets over the last two years, but not surprisingly activity has quietened with the big drop in equity prices. The Amer group and Wärtsilä have become listed on the London stock exchange as the first Finnish companies, Wärtsilä, Kone and Nokia are listed in Stockholm as is *Instrumentarian* on the New York OTC list. The performance of the shares since their issue abroad has hardly endeared them to investors, however.

From their 1984 peaks Nokia shares have shown a fall of 59 per cent, Rauma-Repola 55 per cent, Wärtsilä 36 per cent, Pohjola 21 per cent, Kone 41 per cent and Amer 16 per cent.

There are still some big disparities between the prices of free and restricted shares, and according to Grieveson Grant, the London stockbroker, "a more efficient interchange between *foreign and domestic* investors still depends on the progress of the reforms which it was promised would make the stock market more active. This progress has not been made."

Grieveson Grant still maintains that Helsinki is a market for 1986 or 1987 rather than 1985. "A market so illiquid as Helsinki has to make offers you cannot refuse."

The biggest listed companies*

	FIM m
Kansallis-Osake-Pankki (bank)	2,817
Union Bank of Finland (bank)	2,523
Nokia Corporation (industry)	2,034
Oy Wärtsilä (industry)	1,601
Rauma-Repola Corporation (industry)	1,475
Pohjola Insurance Company	1,431
Kone Corporation (industry)	1,419
Huhtamäki (industry)	948
United Paper Mills (industry)	896
Kymmene-Strömberg Corporation (industry)	888
Finnish Sugar (industry)	864
Amer Group (industry)	790

* At March 19, 1985

In pursuit of foreign rivals

Banking

KEVIN DONE

THE LEADING Finnish banks are spreading *their operations* rapidly beyond the country's borders both to catch up with foreign rivals and keep pace with the expansion of Finnish industry abroad.

The first cautious steps were made earlier in the company of other Scandinavian institutions through consortium banks in both London and New York. Experience gained in this way coupled with an easing of Finnish regulations have combined, however, to allow the *big Finnish banks*, Union Bank and Kansallis-Osake-Pankki (KOP), to strike out on their own.

In a *flurry of recent deals* both the main Scandinavian consortium banks in New York have been reorganised. Union Bank of Finland, previously a 25 per cent joint shareholder in the American Scandinavian Banking Corporation, is buying out its partners Den Danske Bank, Sweden's PKbanken and Norway's Christiania Bank in a deal worth an estimated $30-40m.

At the same time, the Nordic American Banking Corporation, where Kansallis-Osake-Pankki has been a 25 per cent shareholder, appear to be moving decisively under the ownership *of Norway's acquisitive* Den norske Creditbank (DnC)—DnC has already bought out its partners in Nordic Bank in London.

In New York *KOP is now* pursuing plans to open its own branch, which it hopes to have in operation by the end of the year. Both KOP and Copenhagen Handelsbank have reached agreement in principle to sell their shares in NABC to the Norwegian partner, although the fourth partner, Sweden's Svenska Handelsbanken, is for the moment holding on to its 25 per cent minority stake.

Reorganisation of the ownership of the London-based Nordic Bank has also had a big influence on the recent foreign expansion of KOP. Having sold its share to DnC, the Finnish bank established its own branch in London in April 1984 — the first foreign branch to be opened by a Finnish bank.

In addition, however, it purchased a substantial share of its Nordic Bank partners' holdings in the Swiss consortium bank Nordfinanz-Bank Zürich, increasing its shareholding from 20 per cent to just over 58 per cent.

KOP has an option to buy out the remaining holdings of the other Nordic banks up to the end of 1986. DnC has already sold its remaining holding this year, increasing the KOP stake to 63.16 per cent. According to Mr Martti Korhonen, joint general manager in the bank's international division, it is only a question of time before Copenhagen Handelsbank and Svenska Handelsbanken also sell their remaining shares.

Private Swiss interests are expected to maintain a holding of *about* 18 per cent in Nordfinanz.

Subsidiaries

Last year, KOP also set up a wholly-owned merchant bank in Singapore — it had previously been represented in the Far East through Nordic Bank—adding to subsidiaries already established in Luxembourg and the Bahamas.

With neighbouring Sweden preparing to open its frontiers to foreign banks early next year, *KOP has* also established a representative office in Stockholm as the first step towards opening a wholly-owned subsidiary when *legislation permits*.

KOP's chief remaining ownership link with its earlier Nordic Bank partners is in France, where the four Nordic banks each own a 10 per cent minority stake in Manufacturers Hanover *Banque Nordique in Paris*.

According to Mr Jaakko Lassila, KOP chief executive, the most important steps abroad have now been *taken*—the bank has invested close to FM 1bn in its foreign network with the most expensive purchase being Nordfinanz-Bank Zurich.

Other officials in the bank suggest that KOP must eventually study the question of establishing some sort of operation in Frankfurt—"there are signs of the Euromarket moving from Luxembourg of Frankfurt"—and both Hong Kong and Australia are also beckoning.

Mr Lassila says that KOP is content "for the time being" with its new network of branches and subsidiaries, "Perhaps we will now enlarge our representative offices and extend this network."

Changes in central bank regulations have been instrumental in allowing the recent rapid foreign expansion of the Finnish banks.

It was only last year that the Bank of Finland agreed to the Finnish banks opening branches abroad—an earlier application by Union Bank to open a branch in Singapore was turned down. In addition, before 1982 Finnish banks had not been able to grant credits to foreign borrowers and were also limited in lending in foreign currency to Finnish borrowers.

To get around these regulations the setting up of the consortium banks and foreign subsidiaries were important early moves for the Finnish banks. The removal of these restrictions progressively since 1982—they were totally removed in 1984—has made it possible to set up branches abroad backed by the full capital resources of the parent bank.

In addition, it is changing the role of the existing subsidiaries in Luxembourg, which are no longer needed in the same way for foreign currency lending to the banks' Finnish customers.

Union Bank says that in the future "the focal point of international expansion will be on branches." Following the takeover of the New York-based American Scandinavian Banking Corporation, Union Bank is actively considering changing the status of the subsidiary to that of a branch or of setting up a branch alongside ASBC.

Co-operation

Union Bank of Finland is not giving up the close formal co-operation with its Scandinavian colleagues, however. It has remained a partner in the London-based consortium Scandinavian Bank, where Sweden's Skandinaviska Enskilda Banken (S-E Banken) is the dominant shareholder; and in the Nordic region it has broken new ground by forming Scandinavian Banking Partners with S-E Banken in Sweden and Norway's Bergen Bank.

The three banks—which are taking small shareholdings in each other—have agreed not to set up subsidiaries in each other's countries. Instead they are trying to link the services *and networks of the three banks* to create a pan-Nordic banking system.

UBF claims that the venture will "open up new possibilities in the form of payment traffic, electronic cash management services and even retail bank cards" once the computer systems of the three banks have been integrated.

For the smaller Finnish banks, such as Bank of Helsinki, Bank of Aland, Skopbank (the savings bank) and Okobank (the co-operative bank) consortium banks still offer the best route to internationalisation, although the state-owned Postipankki, has maintained a subsidiary in London since 1981.

Head start in expertise

The Arctic

OLLI VIRTANEN

AS FINLAND is the only country in the world which has all her ports icebound every winter, it is not surprising that the country is also in the forefront in Arctic research.

Apart from icebreakers, of which it has built more than the rest of the world combined, Finnisb yards have also specialised in ice-strengthened vessels. And the latest specialty, Arctic offshore may be the biggest potential field so far.

All Finnish shipyards and many of the shipping companies, too, have now cast their eyes in the Arctic Sea off the Soviet coast as well as on the Northern most parts of Canada.

In theory, at least, Finnish companies seem to be ideally placed in the competition. Icebreaking is said to have a long tradition and the first purpose-built icebreakers were built in the mid-1940s by Wärtsilä, the undisputed leader in the field. Since then research and development in Arctic conditions has flourished taking more varied forms.

So, Finns understandably had a running start when the first commercially viable oil field at Prudhoe Bay, off Alaska was found in 1968. Wärtsilä, whicb had the only icebreaking laboratory in the Western world at that time, was commissioned to make studies for the Manhattan Project, e plan to transport oil from the north of Alaska by ship to markets in the U.S.

The first lucky strike in the Siberian oil fields was achieved in 1960 but production did not start until the late 1960s. During the last decade and in the early 1980s the Soviets made deliberate efforts to utilise the valuable oil, gas and mineral reserves in the Arctic Sea.

The two geographical areas are very appetising to Finnish companies. Most of the vessels sold to the Soviet Union are ice-strengthend to start with.

And icebreakers themselves have come a long way from the days when all you needed was a powerful engine and a strong hull. For example, the series of five 19,500 tdw dry cargo ships now under construction at Valmet yards can elone break ice about 1 metre thick and all the functions aboard operate in temperatures as low as −50C.

Icebreaker at work. Finland's expertise in Arctic conditions is based on considerable research.

Wärtsilä, who have made a total of 53 icebreakers, have also built e river icebreaker which has e draft of only 2.5 metres.

The Finnish companies and also two universities and the state-run Technical Research Centre all have extensive Arctic research units.

The biggest of the facilities is the Wärtsilä Arctic Researcb Centre, which inclndes a 77-metres long test basin for ice-breaking.

Wärtsilä has also set up an engineering subsidiary in Canada with the aim to sell knowhow. At the same time the shipbuilder hopes to win a share of the actual building work for their own yards in Finland.

The company's designs include complete exploration, production and transport plans for reserves in the Arctic areas. Although they have studied the viability of practically all possible ways of transport in Arctic conditions, they still tend to stick to the concept of breaking ice as the cheapest.

Since the Manhattan Project the company has not made big news in Alaska or in Canada. Netherthelesss, Wärtsilä believes that with rising commodity prices ectivity in these regions will grow.

Valmet, another large shipbuilder, bas a different approach. They have recently joined forces with other Western operators who have expertise in offshore work. First they set up a subsidiary in Houston.

Valmet owns 40 per cent of the engineering and consulting company Intec, whose other shareholders include managers of the company. Intec specialises in underwater pipelines and all the technology connected with it.

Another important decision was to sign a co-operation agreement with the London-based Foster Wheeler Petroleum Development, a part of the giant American engineering group earlier this year.

These two developments offer Valmet a possibility to expand their knowhow and, perhaps more importantly, win contracts for the yards in Finland. With Foster Wheeler's knowhow and Valmet's long-established relations with the Soviet Union (having soll more than 600 vessels to them) the two companies together would have a strong position in the Soviet markets.

Rauma-Repola, known mainly for its oil drilling rig production, has made a similar co-operation deal with Brown and Root (UK), the engineering company which has been involved in construction of practically all the North Sea oil and gas fields.

The largest Finnish shipping operators, the national oil company Neste and the cargo shipping line Effoa, have also been actively interested in offshore activities. Effoa would be willing to undertake operating responsibility of platforms and also operate supply vessels in the North Sea together with Finnish and Norwegian companies.

Neste is already involved in oil exploration in Texas, the Middle East and the North Sea. With its large fleet of tankers and rapidly-increasing oil trading, Neste's interest in the Arctic areas is obvious.

While dozens of Finnish companies from clothing manufacturers to designers of complete deployment plans are actively aiming to become involved in the Arctic areas, problems will lie ahead. Some independent researchers have already warned that with limited resources Finnish companies should concentrate on fewer sectors and join forces with each other. At the moment companies are suffering from a mild Arctic fever.

Finnish companies are also handicapped by the bilateral trade agreement with the Soviet Union which stipulates that exports must be paid for the same value of imports. In the U.S. and Norway protectionist measures tend to keep foreign companies well at bay.

Despite all this the shipbuilders and many other companies in Finland are committed to the Arctic, because with volume in shipbuilding probably declining it is the only area that will offer great potential for Finnish expertise.

PROFILE: UNITED PAPER MILLS

Major plant in the UK

UNITED Paper Mills (UPM), Finland's second largest forest products group, has stolen a march on the rest of the Scandinavian pulp and paper industry with the construction of a new pulp and newsprint mill in the UK.

Production from the plant, built solely to serve the UK domestic market, has started this month and marks a major turning point in the fortunes of the UK pulp industry, which has contracted rapidly in recent years.

The newsprint mill, located at Shotton in North Wales on the site of an old steel plant, is one of the most ambitious foreign investment projects ever undertaken by a Nordic forest products group, involving a total capital expenditure of close to £125m.

With an annual production capacity of some 180,000 tonnes the Shotton mill could supply around 15 per cent of UK newsprint demand. With the run-down of the UK paper industry some 80-90 per cent of demand is currently met by imports with supplies from Finland accounting for some 30 per cent of the market.

Inevitably the Shotton mill will be competing with domestic mills in Finland for sales in the UK market—a fact that has caused no little irritation among other Finnish forest product companies most of which organise their foreign newsprint sales through the central selling organisation Finnpap.

According to Mr Ingmar Häggblom, deputy managing director of UPM, the Shotton mill's first priority will be to carve out a significant market share among newspapers in the Manchester region, whereas Finnpap's sales are concentrated on Fleet Street.

The mill will be based exclusively on UK raw materials with most of the timber supply coming from Forestry Commission forests in Wales and north-west England.

UPM has secured highly attractive financial terms for the project including a unique pricing formula for purchasing its raw materials, under which the price it pays for its timber is linked to the final newsprint price.

UPM, with sales last year of FMk 4.1bn, has consistently been one of the most profitable Finnish pulp and paper groups even during the recession years.

In the boom conditions enjoyed by the forest industry last year group operating profits jumped by 161 per cent to FMk 400m, and the concern has forecast a further jump of some 15 per cent in sales in 1985.

The group is one of the biggest Finnish producers of wood containing printing papers—and is the market leader in converted products such as stationery, sacks, packaging and adhesive tape.

Around 77 per cent of parent company sales are derived from abroad, with its main export markets in the UK (22.3 per cent), the Soviet Union (21 per cent), the U.S. (14.1 per cent) and West Germany (9.1 per cent).

Kevin Done

Foreign sales bring a boom

Forest products

KEVIN DONE

THE forest industry is Finland's most important export sector with four fifths of its output sold abroad and its foreign sales accounting for more than 36 per cent of Finland's total exports.

It enjoyed a boom year in 1984 with pulp and paper companies able to reap the reward of both the recovery in tha international economy as well as the strength of the U.S. dollar, which bas given the Scandinevian prodncers enviable competitive advantages against their rivals in North America.

Demand for paper strengthened to such an extent last year that the Finnisb paper industry was abla to operate at full capacity for mnch of the year with the value of paper exports jumping by 26.9 per cent in value to FMk 13.1bn belped by a 17.2 per cent volume increase to 4.7m tonnes.

Exceptionally high demand in the U.S., the world's biggest paper consuming country, eased competition pressures in Europe, Finland's most important market—and also created new export opportunities to North America.

With demand strong for pulp as well, Finnish producers managed to raise the operating rate of Finnish mills to 95 per cent in 1984, from only 81 per cent in 1983. Total production of chemical wood pulp rose by 9 per cent in volume to 4.77m tonnes.

Pulp prices have been weakening since tha last quarter of 1984, however, as a result of excess capacity worldwide. A new plant has come on stream in Finland with the start-up of the second Metsä-Botnie pulp mill and new capacity bas also been commissioned during 1984/85 in North America, South Africa, Czechoslovakia and Portugal.

Despite a modest expected growth in tha market, tha operating rate of the Finnish pulp mills therefore could fall slightly this year, whereas paper exports are forecast to risa by around 5 per cent. Capacity utilisation in the paper industry rose to 93 per cent from 82 per cent in 1983 with more or less full utilisation in the case of magazina papers.

Enso Gutzeit, Finland's biggest forest products company, which returned to profit last year after making losses for mnch of the last decada, says it is "csutiously optimistic" about its prospects for 1985.

"There are already signs that the upswing in the forest industry is coming to an end," says Enso, "on the other hand the economic trend in our main market, Western Europe, will be satisfactory, at least for the early part of 1985. The strength of the U.S. dollar will also give e competitive edvantage over North American producers."

Overall, the total value of Finland's forest industry exports jumped by 17.5 per cent to FM 29.5bn last year with an increase in volume sales of 6 per cent. According to the Central Association of Finnish Forest Industries, export earnings are expected to show a further rise of 7 per cent this year with an increase of 3 per cent in volume.

Despite the big cyclical improvement in the industry's fortunes in the last two years, Finnish pulp and paper producers still face considerable structural challenges in maintaining their position in the world industry, not least given some of the competitive advantages currently enjoyed by pulp and paper producers in neighbouring Sweden.

According to Mr Heikki Salonen of Jaakko Pöyry, the leading forest industry consultants, the profitability of the Finnisb industry has consistently been below that of the Swedish pulp and paper producers, and the Finnish companies have been less able to extract the full advantage from the cyclical booms of the industry.

Finnish companies have far weaker balance sheets than their Swedish neighbours. "The main problem is the very weak financial structure of the industry," says Mr Salonen. "The return on equity has been close to zero for many years or even negative.

In earlier years it has been easier and cheaper to raise debt rather than equity capital, but now we have jumped from negative interest rates to some of the highest positive interest rates in the world with s buge debt burden in the balance sheet."

According to e recent study of the financial performance of the forest-based industry publisbed by Jaakko Pöyry, U.S. companies had the highest average return on total assets in the five years from 1979 to 1983 at 11.3 per cent, followed closely by Swedish companies at 10.6 per cent.

Out of the other big exporters Canada performed relatively well at 9.9 per cent, but the Finnisb forest product groups lagged far behind with a return on total assets of only 7.2 per cent.

Finnish companies have been investing heavily, bowever, for several years both to more fully integrate the basic pulp industry with a move into higher valua added products, and in order to combat the rapid rise in costs suffered especially during the 1970s. As a result both the Finnish and Swedisb industries can boast some of the most modern and efficient production capacity in the world.

Figures produced by the industry's central association illustrate the graphic changes in the industry's structure in the last couple of decades. In 1960 mechanical wood processing accounted for around 38 per cent of total exports of forest products, by 1985 the share has fallen to 25 per cent and for the year 2000 the association is forecasting s share of only 15 per cent.

A similar trend is discernible for pulp, with its share of exports falling from 25 per cent in 1960 to 13 per cent in 1985 and perhaps only 10 per cent by the end of the century.

Paper, board and converted products, on the other hand have steadily raised their share from 37 per cent in 1967 to 62 per cent today and are projected to reach 75 per cent in 15 years time.

At the same time that there has been this very substantial shift in the structure of exports towards more highly processed products, the industry's overall volume of output has increased 2.5 times.

This gradual transformation of the industry's product mix also implies big changes in the future role of the central selling organisations, such as Finnpap, Finncell and Finnboard. Built up as long ago as the 1920s when the individual companies were too weak and inexperienced to sell in Western markets, they are coming to perform a lesser role as the companies become more specialised.

The internationalisation of the industry will also gradually undermina centralised selling policies. With its new newsprint mill in the UK, United Paper Mills, for example, will be competing directly with Finnpap in the UK market.

If Finland is to remain one of the leading forest industry countries and avoid becoming a marginal supplier increased investment abroad must be seen as a necessity."

Leading position in world trade

Fur Industry

KEVIN DONE

IN LESS than two years Helsinki has established itself as the world's leading auction centre for the international fur trade, outstripping rivals such as Copenhagen, London, Leningrad, New York and Toronto.

For close to 20 years Finnish fur sales were handled through the Copenhagen auctions, but during the second half of the 1970s the industry made the major strategic decision to move its centre of operations back to Helsinki, a transition finally completed in 1983.

Built at a cost of around FM 200m the Helsinki fur centre has quickly carved out for itself a major share of the world market. In the year to the end of November 1984 Finnish Fur Sales, a sales organisation owned co-operatively by the country's fur farmers, marketed some 7.3m skins with a total value of $249.3m.

During the same period the total auction sales of farmed fur skins worldwide amounted to some $779m, giving Helsinki around a third of the world trade in farmed fur skins.

Around 500 buyers from more than 20 countries attended the January auction and with purchases of more than FM 600m created the world's biggest fur auction to date.

The Finnish fur industry has grown rapidly in the last 15 years with an extraordinary expansion of fur farming in particular in the west of Finland. Around three-quarters of Finland's 5,600 fur farmers are concentrated in just one western province, Vaasa, along the coast of the Gulf of Bothnia.

In the space of a couple of decades they have built up an infrastructure and expertise, particularly in fox farming, which is virtually unrivalled in the world. The industry has become a vital factor in supporting employment, particularly in rural areas. It has provided a secondary income for many families also engaged in agriculture or craft industries and supports several thousand jobs indirectly in sectors such as engineering and transport.

Rivals

Finland has become the leading supplier of farmed furs to the world market, providing no less than 67 per cent of all fox furs and around 16 per cent of mink pelts. The Finnish producers have developed a particular grip on the production of fox furs, easily outperforming their traditional rivals in Scandinavia, Poland and the Soviet Union.

Since 1975 world production of blue fox furs has climbed from 965,000 skins to around 2.7m. In the same period Finland has raised its own production from 400,000 to 1.8m. With the addition of 4.4m mink pelts Finnish fur farmers have built an industry, which produced sales of some FM 1.6bn in the 1983-84 sales season. This could rise to close to FM 1.8bn this year.

Two years ago it appeared that the industry was finally running into trouble as over-production and weak demand made prices tumble. "The farmers thought that this was a staircase to heaven and that nothing could go wrong in this business," says Mr Johan Wallin, marketing manager of Finnish Fur Sales, "but now they have learned a lesson."

The farmers, many burdened by expensive new investments, were forced to cut production to try to boost prices. "We cut production by about 20 per cent in 1983 to try to get world prices up," says Mr Roger Nyback, managing director of Oy Keppo AB, which runs the world's biggest fur farming operation from Oravais in western Finland.

Helped by the strength of the U.S. dollar and the recovery of the world economy the strategy appears to be working. "Production has not been increased, the market has improved and there has been a quick recovery," says Mr Wallin, "they are not super profits, but the farmers can make normal returns again."

According to Mr Juhani Moisander, managing director of Finnish Fur Sales, the fur industry—the main auctions take place from December to May—"has had a very successful season. Mink prices are around 20 per cent higher and fox prices have risen by some 25 per cent."

After the difficult years in 1982 and 1983 the industry appears to have stabilised. Fewer newcomers have started up in the last two to three years and most of the farms have reached a viable size, although the sector is still very much dominated by family operations.

Fur sales now account for around two per cent of Finland's total exports and most importantly much of the foreign demand comes directly from countries with which Finland traditionally runs a large trade deficit, such as Japan, South Korea and Hong Kong.

The U.S. and the Far East have further strengthened their position in the international fur trade in the last couple of years with the manufacture of fur garments becoming increasingly concentrated in the Far East.

According to Finnish Fur Sales the position of Western Europe weakened during 1983-1984 and West Germany, which accounted for around a third of Finland's sales of mink skins in the 1982-83 selling season, bought only 16 per cent during the 1983-84 season.

Exports to the U.S., Hong Kong, Italy and the UK were around the same level with each acounting for 10-15 per cent of the total. When the furs are ultimately sold as garments, however, there are two countries which clearly dominate, the U.S. and Japan together accounting for half the mink skins and two thirds of the foxes sold from Finland.

At recent auctions especially high prices have been won for new shades of fur based on fox breeding mutations. "The international fur trade is always after new things and is ready to pay very fancy prices," says Mr Moisander.

Furs with outlandish names such as Golden Island Shadow Fox have sold during this season for as much as FM 5,200 per skin, but ther were only seven skins for sale. A small number of Platinum Cross fox pelts fetched FM 3,500 per skin.

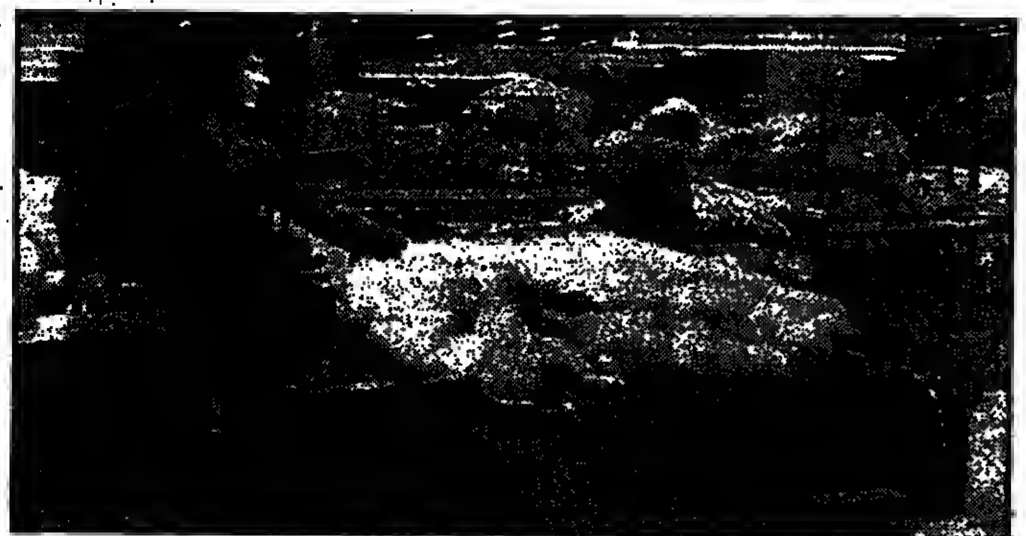
Such exotic prices are the exception, however. More normal blue fox furs fetch around FM 350 per pelt with mink pelts recently attracting prices around FM 220 per skin.

One reason why the industry has grown so fast over the last two decades has been the farmers' willingness to pool their resources by forming a series of co-operative ventures to look after everything from joint research into improved breeding techniques and feed analysis, to veterinary, insurance and financial advice, common sales and marketing and joint purchase of feed and equipment.

One weakness, however, is the fact that domestic production of animals has now surpassed local supplies of feed—the industry's raw material — and the farmers are having to buy increasing amounts of feed abroad, pushing up costs against competitors such as Denmark.

A subsidiary of the farmers' co-operatives has already been established in Scotland for the freezing and storage of fish offal to secure new supplies and large amounts of fish offal are also imported from northern Norway and the Soviet Union, while slaughter offal comes from Denmark and Sweden.

Mink at a fur farm near Helsinki.



Sorting mink furs. The move of the auctions to Helsinki from Copenhagen indicates Finland's advance in the international fur trade.

Phenomenal growth in electronics sector

Electricals

DAVID BROWN

FINLAND'S electrical engineering industry is in the midst of a major upheaval.

The heavy electrical engineering sector is facing flat markets and stiff competition, and risks being left behind those companies which have moved quickly into high technology products and expanded their operations abroad.

After several years of phenomenal growth, the electronics sector's output has for the first time outpaced that of Finland's traditional heavy electrical equipment manufacturers.

While the total value of electrical engineering production climbed by 12 per cent, the electronics sector expanded at more than twice that rate: 25 per cent. A stable growth pattern is expected this year.

The sector as a whole generates almost 6 per cent of Finland's total exports and is a major employer. Exports in 1984 made up over half the total production value of FMk 8.2bn, with the biggest markets being EEC and EFTA countries.

Finland's Federation of Electrical and Electronics Industries, with 78 members, includes Mobira, one of Europe's leading producers of mobile telephones. Vaisala, a specialised meteorological instrument manufacturer, as well as A. Ahlstrom and the state-owned Valmet both making specialised process control equipment.

Kymene Stromberg is one of Finland's largest traditional heavy engineering groups, while Kone, the privately-held lifts and hydraulic equipment manufacturers, has extensive international operations and a large world market share.

It is perhaps Nokia — which through a series of major acquisitions in recent months — has emerged as the country's leading high-technology company.

Nokia, with annual sales of FMk 9.4bn, is now the second-largest producer of electronics in the Nordic countries after Sweden's LM Ericsson. It has seen the turnover in its electronics division climb tenfold within a decade, to $300m annually.

The group began as a traditional manufacturer of electrical engineering equipment and cables. Then, pioneering advances in funds transfer services by Finland's banks, coupled with decisions by the Nordic public telecommunications agencies to develop advanced digital switching technology, led to a new phase of growth in the 1970s.

Scandinavia became one of the world's most advanced in retail banking services during this period, helping Nokia emerge as an early leader in the bank automation field. In communications, where the group had by now already developed advanced telecommunications equipment, mobile telephony became a new growth area.

In 1982, Nokia acquired a majority stake in Mobira, a leading producer of mobile telephone equipment with a large Nordic presence. Moreover, it carved out a 60 per cent market share in the UK.

The company recently concluded a joint venture deal with Tandy of the U.S.—the two companies have started production in South Korea and a big expansion in the U.S. now appears within reach.

In the Nordic area, Nokia is the largest microcomputer manufacturer, helped by its acquisition last year of Luxor and Salora. It is already providing terminals and PCs to Northern Telecom as part of that group's office system being marketed in Europe.

Elsewhere in the electronics sector, a number of smaller companies have achieved impressive growth by carving out specialised market niches.

The Lojha Corporation, for example, has become a world pioneer in the commercial production of polymer hybrid circuits—developed in connection with its electroluminescent display technology. Aspe, another manufacturer of custom-designed hybrid circuits, has also captured sizeable European market shares.

Finland's traditional strength in the forest products industry has led companies such as A. Ahlstrom and Valmet to emerge as leaders in process control technology.

Salora has become the first company in Europe to deliver two-way pay systems, while Vaisala, the instruments company which sells some 95 per cent of its production abroad, has independently developed an entire range of specialised interfacing sensors.

In more traditional electrical engineering fields, Kone, with annual sales of FMk 4.1bn spread in subsidiaries around the world, has used microcomputer technology to introduce a number of sophisticated lift control systems.

Stromberg, Finland's leading manufacturer of electrical machinery with annual sales of FMk 5.1bn, has suffered from sluggish growth, with sales climbing only 2 per cent last year. Profits, according to Mr Matti Ilami, the managing director, were "unsatisfactory," but an improvement is expected this year.

Although Stromberg is still primarily a producer of power plant generators, transformers and electric motors, it has made a serious attempt to introduce new technologies in an attempt to make its products cheaper to operate and more competitive.

FINLAND 6

Production of refrigerators. Domestic demand for engineering and metal products is expected to revive

Profitability still a problem

Engineering

LANCE KEYWORTH

THE metal and engineering industry, which embraces mining, steel and metals, manufactured metal goods, machines, electrotechnical products, and transportation equipment including ships, had a good year in 1984 and expects a repeat performance in the current year.

Reviews of the metal sector, the term generally used for this conglomeration of industries, still tend to preserve a few of the old generalisations which should now be buried once and for all.

The metal sector is not dominated by demand from the Soviet Union, though the USSR is still its largest and most important single export market.

Although some exceptional factors have played a role, 1984 has shown, and 1985 will confirm, that the metal sector does not necessarily follow the old cyclical rule of lagging behind the pulp and paper industry in its highs and lows.

The metal sector was once regarded as the late, unexpected child of the Finnish economy, conceived because of the engineering-dominated war reparations deliveries (some U.S.$570m, in 1938 values) that had to be paid to the Soviet Union.

When this gigantic task had been completed in 1952, the Finns started to use the surplus production capacity by selling the same goods to their Eastern neighbour which they had had to deliver free for the past six year. Thus, metal sector exports were originally Soviet dominated, but over the years this weakness was corrected.

In 1984, the value of metal sector exports rose by 13 per cent to FM 28.71bn (£3.58bn), accounting for 35.5 per cent of total Finnish exports. For comparison, the forest industry accounted for 37.9 per cent of total exports, only slightly ahead of metal. But the forest industry's import input in its production is much smaller than the metal sectors.

Western Europe took 49 per cent of total metal sector exports, The Comecon countries 29.1 per cent and other market economy countries 22.1 per cent. The percentage distribution by individual countries was: USSR 27.2 (the decrease of about one-fifth was exceptional), Sweden 15, U.S. 12, UK 9, Norway 7, and others 29.

Some 60 per cent of total metal sector production was exported, and 90 per cent of total production comprised investment goods.

Good outlook

"The outlook for 1985 is equally good," says Mr Harri Malmberg, managing director of the Federation of Finnish Metal and Engineering Industries. "Domestic demand is expected to revive and this supported by a 10 per cent increase in deliveries to the Soviet Union should take up the possible slack in Western demand."

However, the problem of weakened profitability persists. The price index for engineering industry exports has been stable for three years, but there has been a perceptible rise in the domestic cost level. To remain competitive, firms have not been able to pass these cost increases on to clients.

Metal, the late child, no longer has to blush at the thought of jostling in Western engineering markets with the old giants of the sector that have held sway for so long. For instance, Finland is now as well known for its icebreakers and luxury cruise liners worldwide as it traditionally has been for its pulp and paper.

Rauma-Repola, the forest products and engineering company, built the world's first oil drillship designed for work in Arctic waters. Finnish paper and board machine exports to North America are increasing.

Looking ahead, Mr Matti Kankaanpaa, chief executive of Valmet and president of the Federation of Finnish Metal and Engineering Industries, says "domestic demand must strengthen until the end of 1986 to prevent the present positive situation from deteriorating. One way in which this could be done is release the corporate investment reserves now frozen in the Bank of Finland."

It was the unexpected decrease in new domestic investment that kept the growth of GDP (gross domestic product) down to 3 per cent in 1984, instead of the expected 4-5 per cent. Adaptability is a requirement. Order stocks are down to half a year's production and delivery times are being cut. This makes for improved cash flow, but also requires what Mr Malmberg calls the "just-on-time" principle in trading.

PROFILE: NOKIA

Exports show strong growth

NOKIA is Finland's largest private industrial corporation and its largest employer, with a workforce of 28,000.

It is quickly expanding high technology business while attempting to maintain growth in forestry, chemicals, cables and electrical engineering.

The company has one of the country's highest levels of research and development spending, reaching 17 per cent of turnover. Exports make up 56 per cent of total sales, which have grown by 25 per cent over five years.

In spite of slow economic growth in 1984, turnover climbed by 35 per cent to FM 9.4bn, helped by several major acquisitions.

Nokia's activities fall into two main areas: a fast-expanding high-technology sector including the electronics division, and the more stagnant traditional engineering.

The group's net profit last year fell by 15 per cent to FM 85m in the face of weak demand in its base industries and the failure of its Mobira mobile radio division to meet higher production targets following extensive investments.

Streamlining

In spite of success in building up the high-technology side of the group, Nokia's traditional business areas still account for some 40 per cent of turnover. Improvements here will largely depend on streamlining production, according to Mr Kari Kairamo, the managing director.

Nokia is one of Europe's three largest producers of soft tissue paper and was able, through rationalisation, to improve profitability in spite of higher pulp prices last year. The chemicals division, which mainly produces bleaching chemicals for the Finnish forest industry, expects stagnant demand in 1985.

The market for cables remained stagnant, while heavy world overcapacity led to price competition which has kept down margins.

No substantial improvements are expected in the cable machinery, robotics or metal products divisions, which together generate about 9 per cent of turnover.

Nokia plans to continue heavy investment this year and sees only a moderate recovery in profits. The board has given approval for a foreign issue of up to 5550,000 shares but no firm plans have been made.

The electronics division, which last year claimed 86 per cent of R & D spending, expects turnover to climb by as much as 50 per cent in 1985.

After its acquisition of Salora and Luxor early last year, the group became Scandinavia's largest manufacturer of personal computers and colour televisions. It is also a leading producer of radio telephones and modems.

With a limited home market, Nokia is relying on international expansion through acquisitions and co-operation pacts as the key to its future. Roughly two-thirds of its high-technology sales are generated abroad.

Competition is heavy in all business areas, and by international standards, many of its subdivisions are quite small.

The information systems and telecommunications divisions compete with the much larger LM Ericsson of Sweden in the Nordic region, for example, but they have had notable successes.

A joint venture with Tandy which has opened up the U.S. market and several new contracts mean Nokia expects significant growth for its Mobira mobile telephone unit.

The group is using Luxor's extensive retail network in Sweden to market personal computers, but although Luxor and Salora's TV production has been merged a great deal of rationalisation remains in purchasing and marketing.

The group's future is closely tied to the performance of these divisions. Mr Timo Koski, new president of the electronics unit, says a levelling off period can be expected from 1986.

The major challenge will be to balance Nokia's need to become big enough to be internationally competitive against the difficulty of rationalising and managing fast growth, he says.

David Brown

Work at Rauma-Repola's Pori factory. The plant is a big supplier of machines and equipment to the pulp industry.

PROFILE: RAUMA-REPOLA

Sea and forest slogan pays off

"TAKE your share of sea and forest" is the slogan under which Rauma-Repola Oy promoted its new rights issue this year which raised its equity from FM 660m to FM 846m (£110m). Later, perhaps in June, the company will seek a listing on the London Stock Exchange with a private placement of up to FM 100m.

The issue slogan aptly describes Rauma-Repola Group's structure and strategy. In terms of consolidated net turnover (FM 7.41bn in 1984), R-R is the second largest private industrial sector group in Finland, concentrating on activity relating to the sea and sea bed and the forest.

Each of its two industrial groupings has two divisions: shipbuilding and offshore and the engineering divisions, and the pulp and paper and mechanical woodworking divisions.

"Until the 1970s," says Mr Stig-Erik Bergstrom, executive vice president and chief financial officer, "we didn't export much. Our international profile was low. Late in that decade we really entered on an internationalisation phase and raised our international profile."

Shake up

After two bad years in 1981 and 1982, there was a management shakeup, the group's operations were streamlined, financial control was tightened, and units that were unprofitable or not connected with marine or forest production technology were hived off.

In 1983, the result before appropriations was lifted from a loss to a profit of FM 104m, and in 1984 profits soared by 269 per cent to FM 384m.

Exports and foreign subsidiaries accounted for 70 per cent of net sales, with the shipbuilding and offshore and pulp and paper divisions turning in the best performance. "The target for the current year is a result at least as good as that of 1984. Liquidity is good.

Net liabilities were reduced to 40 per cent of net sales in 1984 from 60 per cent in 1983. The peaks of forest machine and forest products production never coincide, and Soviet trade, which is considerable, does not fluctuate in parallel with Western business cycles. Thus, the outlook for stable development is healthy," says Mr Bergström.

Internationalisation will continue. Last year R-R bought the forest machine production plants of Kockums Industri from Statsföretag of Sweden, which made R-R the world's leading manufacturer of forest machines. Early this year it acquired Sterling Coated Materials of tha UK, which made it the largest manufacturer of silicone papers in Europe. It has since taken a 25 per cent interest in St Mary's Paper Inc of Canada.

In the U.S. R-A bought out Kamyr in Kamyr-Neles Inc and now fully controls the marketing of its high technology Neles valves in North America. Neles will probably build its own production plant in the Far East in the near future.

While the offshore business continues to produce semi-submersible and jack-up rigs, it is focusing attention on solving the technical problems of harsh production conditions in the Arctic. The idea is to reduce the need of large and vulnerable production platforms on the surface.

Lance Keyworth

Profile: Stockman - store with a diplomats' hot line

Speedy service to Moscow

"IN MOSCOW you don't go shopping, you go searching," says one Western diplomat based in the city. As often as not the search ends in Helsinki, or more precisely at Stockmann's the city's leading department store.

For many foreigners living in Moscow, Finland and Helsinki seem to be epitomised by Stockmann, a store unremarkable perhaps by the standard of most Western capitals, but for Moscow's *expatriate community* a lifeline to Western consumer goods.

Each evening at 5 pm the Tolstoy night express pulls out of Helsinki bound for Moscow's Leningrad Station—a journey of 16 hours—and each night it is carrying goods from Stockmann's, during the year about 17,000 parcels.

Business is booming and sales increased by about 30 per cent last year, helped by much more active marketing in Moscow. Stockmann's export department came into existence before the Second World War, but it was not until the 1960s that business properly began to flourish with the establishment of many new embassies in the Soviet capital.

Stockmann is part of a group with interests in wholesaling, mail order, food stores, furniture production and car distribution. It is Finland's equivalent to a combination of, say, Harrods and Peter Jones in London, and has the second largest bookstore in Europe after Foyles. Group sales last year were FM 1.4bn ($212m).

The store group's exports amounted to some FMK 24.5m last year and more than half of this was accounted for by the Moscow trade. Stockmann will apparently provide almost anything — given sufficient notice. *Foreigners in Moscow* order goods ranging from children's clothes and nappies to toiletries, furnishings, office materials and car spare parts. Fresh food, such as salads, bread and *milk* are in particular demand — Moscow's sterilised milk is especially unpopular.

When the U.S. Embassy needed a wreath of fresh flowers in a hurry over one weekend for the funeral of Juri Andropov it turned to Stockmann. The store supplies complete dinner parties down to toothpicks and paper napkins and will even supply wedding rings to order.

For visitors from Moscow Helsinki is the nearest service point in the West. They travel to the city for medical help, to visit the dentist and the optician or to get the car serviced.

One Western diplomat based in Moscow for five years has seen two of his three children born in Helsinki, and for families with young children Stockmann takes on a whole new importance.

"We import everything from milk to toilet paper," says one regular customer, "with children it is hard to get fresh things in Moscow so we import children's meals, avocadoes, bananas, simple medicines.

Orders are placed by telex, letter or telephone with a normal delivery time from Helsinki of three to 10 days.

Stockmann is not without competition. In particular, the two Danish companies Osterman and Pedersen and Peter Justesen, in Copenhagen, are reckoned to give better value for money and carry a wider range of equipment — particularly in consumer electronics; but for fresh food, Helsinki is the only choice.

Kevin Done

Foreign acquisitions by giants

Chemical industry

LANCE KEYWORTH

THE CHEMICAL industry is about the same age as independent Finland, which will celebrate its 70th anniversary in 1987.

Established to serve the home market, it now ranks fourth in gross production value after the forest, metal and food sectors. The main product groups (and their percentage share in the gross value of production in 1983) were: oil refining products (48), *chemicals, fertilisers*, plastics and fibres (2), other chemical products (12), plastics (6), rubber products (3) and petroleum products (2).

Two companies, Neste and Kemira, both state-owned, are colossi bestriding the production and exports of the sector. For both internationalisation by acquisition *is* the rule for continued growth. In both, exports and foreign operations account for more than *half* of consolidated turnover, and both have raised financing for recent major deals through private placements in London.

Neste, established 1948, is the only oil refinery in Finland. As it expanded, Neste group was organised into five profit centres with 16 Finnish and 38 foreign businesses: *international* oil trading, oil refining, shipping, chemicals, and commercial projects.

Consolidated turnover rose from FM 23.7bn in 1983 to FM 32.2bn ($3.5bn to $4.8bn) last year. Neste Chemicals, the profit centre examined here, doubled its net sales in 1984 to FM 3.2bn, and most of the increase was due to acquisitions in neighbouring Sweden.

In March *1984*, Unifos Kemi in Sweden was taken over by Neste's subsidiary Neste Syntes which was restyled Neste Sverige. With Unifos came seven marketing companies in Europe, Skandinaviska Polypropen and Unifos.

"This made us the leading producer in Scandinavia and the third largest in Europe for polyethylene," says Mr Jouko K. Leskinen, corporate vice-president for chemicals. It also opened the doors for Unifos which had not hitherto been *allowed to sell outside Europe*."

As the next step downstream, Neste group's Beolit Plast bought Gullfiber's insulating board line and was renamed Neste Thermisol. Its three units command 50-60 per cent of the Swedish polymer insulation market. Another downstream venture also had a Swedish connection. Neste took a 55 per cent share in Celloplast of the U.S. whose main product is plastic bags. The other shareholder is Sweden's Teno in which Neste has a 24 per cent interest.

Mr Leskinen admits that there has been over-production of plastics and fear of competition from Saudi Arabia. "The industry must be restructured," he says, "and our moves in Sweden are our contribution. We needed more capacity for the 1990s."

Kemira, a diversified company producing fertilisers, paints, pigments, man-made fibres, industrial and special chemicals, explosives and engineering services, launched into internationalisation in earnest only three years ago with the purchase of I and K Fertilizers. In the UK Fertilisers accounted for half of Kemira group net sales of Fmks 4.68bn in 1984. Last year group subsidiary *Tikkurila bought* Donald MacPherson group of the UK.

Kemira's Finntitan titanium dioxide pigments are well-known *internationally*. Kemira is currently watching the U.S. where American Cyanimid's dioxide pigment plant *in Georgia* is up for sale. It is about the same size as Kemira's own plant *at home which* has about 3 per cent of the world capacity.

Mr Osmo Hamalainen, general *manager of Kemira engineering* and director of international operations, says: "We find it better to acquire existing plants. They already have a market share. If we build a new plant, we must fight for a market share.

Kemira's unique formic acid process is already licensed to South Korea and India, with the Finns supplying the basic engineering, most of the critical equipment and supervisory services. Fertiliser plant projects are in progress in India and Abu Dhabi and under discussion in China.

Early this year, Kemira group bought Essochemie, Exxon's Dutch chemical plants near Rotterdam. Most of the 530,000 tonnes of annual ammonia production capacity will still be converted into fertilisers, but *150,000* tonnes a year *will* be shipped to Finland which currently has to import about 80 per cent of its ammonia needs.

Form and function combine

Design

DAVID BROWN

"*BEING this far north, with* high labour and materials costs and a relatively small home market, how are we supposed to make money?" asks Mr Harry Blomster, managing director of the Arabia porcelain factory.

The answer is design — that elusive combination of form and function which at least since the 1950's has invested *Finnish* consumer and industrial products with a competitive edge on export markets.

It is for this reason perhaps *that* the future of Finnish *design* has become *such a hot* topic of discussion—not least in corporate boardrooms — at a *time when many openly wonder* whether the country has lost its innovative vitality.

After the enforced austerity of the war years and the recession which followed, Finnish design exploded into a period of intense creativity. Designers became key members of industrial product planning groups as well as household *names*.

It was during this period of economic growth particularly *following the 1951* Milan Triennale that Finland (and other Scandinavian countries) achieved the first major international breakthroughs.

Names such as Tappio Wirkkala and Kaj Franck were added to those of Alvar Aalto and Eliel Saarinen as leading figures in the world of international design.

What characterised the design of this period—and remains a hallmark today—is both simplicity and what some call "harmony with nature."

It was perhaps the huge size of Finland and its nearness to nature, as well as the lag in its industrial and technological development, that have most influenced the country's modern-day character.

Its glaciers, snows and forests played a big part in determining the materials for which many of its consumer products *are best known*: glass and wood.

But, according to Mr Asko Karttunen of the Finnish Design Council, although "the image of Finnish design is still tremendously good . . . it is based on the successes of the 1950s and 1960s. We urgently need new talent to show off to the world."

Focus

Others suggest that with the advent of a new period of economic uncertainty, many companies have abandoned their former artistic commitment and focused more narrowly on strict profit and cost *calculations*.

It is also said that many Finnish designers, in their quest for international prominence, have in the process sacrificed the national identity of their work.

In a country where high-quality design is such an inescapable part of everyday life, such assessments *have* to be taken with a grain of salt.

But according to the Confederation of Finnish Industry, which recently *sponsored* a conference on "The Arts and Industry" there is legitimate cause for concern.

Mr Timo Relander, the Confederation's managing director, insists that design should play a much greater part than it now does in Finland's industrial production, and he has made the bold proposal that firms institute a broad-ranging programme to hire in-house design artists and even subsidise their non-commercial work.

"The final competitive battle *is* more and more being fought on the sidelines, says another industrialist. "The image of *a product is part of* the 'real' competitiveness."

This has long been recognised in the companies which produce those consumer products in which Finland is a leader — porcelain and glass, textiles and jewellery among them. At the Arabia porcelain factory, for example, designers spend as much as half their time producing original or commissioned work which has no *direct commercial payoff*.

However, "this is the work that makes its way to the arts fairs where opinions are formed. It gives substance to the trademark and our image as a dynamic company" Mr Blomster explains. "It also produces value added and therefore pays for itself."

For some, this value added can be considerable. The combination of quality design and simplicity has allowed clothing manufacturers such as Vuokko to survive in the cut-throat and fast-changing fashion world, for example.

According to one executive at Marimekko, the famous fabric and clothing company, profit margins can reach as high as 50 per cent.

Marimekko has licensed out production—based strictly on in-house designs—in a number *of key markets including the* U.S. and Japan. The designs have proved so successful that licensee sales are *now* well above those of own production.

Indeed, the major problems for Marimekko and others have become how to maintain quality control, as well as how to combat industrial pirating according to *Ms Marja-Terttu* Vuorimaa, the Licensing Manager. Similar worries about *industrial pirating* have also been voiced by Fiskars (the scissors manufacturer, and Iittala, the glassworks.

Conglomerate

A number of Finland's best known consumer products companies have in recent years *come under the wings of* its large industrial enterprises. Arabia is owned by Wartsila, Iittala by Ahlstrom.

And most recently, Marimekko was taken over by the Amer conglomerate. But for many of these companies much of the best work simply cannot be produced at a profit.

Indeed, some of the country's most innovative and vital work is now being produced by smaller firms headed by a single designer or small groups of artisans. This is particularly true of furniture design, which first achieved international prominence with Aalto's designs.

One newcomer is the Tarzan Furniture Factory, led by Mr Simo Heikkila, who was the *only Scandinavian invited to* take part in this year's Milan Triennale and who in many ways personifies the best traditions of Finnish design.

A professor at the Academy of Industrial Arts in Helsinki, he stresses professionalism, simplicity of design and natural materials.

"Much of what my students see when they come face to face with the industrial process is quite different from what they'd like to do. I don't understand why this should be so. Modern technology should introduce more *flexibility into* production methods." he says.

"We cannot forget our traditions," he insists. "If you are a professional, you believe in your own ideas and they have an origin in our own traditions, then you aren't following a trend but creating your own. You're always a little ahead of your competitors."

Successful passage through the storms

Shipbuilding

OLLI VIRTANEN

AT A TIME when many European yards either lose money or are kept afloat with massive state subsidies, the four Finnish shipbuilding companies, publicly-quoted Wärtsilä and Rauma-Repola, state-owned Valmet and privately-owned Hollming, have been able to navigate through storms fairly successfully.

All of them survive on their own but at the same time all admit that they have no expansion plans either.

Two factors have placed them ahead of most competitors. All the yards are highly specialised in narrow market sectors; and on the other hand a steady stream of orders from the Soviet Union has kept the yards busy even at times when the industry generally was in the doldrums.

Trade with the Soviet Union forms the backbone of the Finnish shipbuilding industry. The war reparations, demanded by the Soviets in 1944, included dozens of merchant ships. By the time the last vessels were delivered in the 1950s, Finland had established a formidable shipbuilding capacity and a high degree of expertise. And with subsequent trade agreements between the two countries, Finland has also been able to sell ships across the border.

Although the trade agreements state the number of vessels to be bought on a five-year basis, thus giving a good long-term indication of orders, Finns claim that every order must be won by competition.

Moscow, say captains of the industry, would not buy ships if they were not competitive in international markets. There are examples of orders which have been lost to other European yards.

Largescale investments in new yards and a number of mergers in the 1970s improved competitiveness among Finnish yards considerably. At the same time companies began to concentrate on special vessels.

Wärtsilä, the country's biggest shipbuilder, has made two-thirds of the world's ice-breakers, including two large nuclear icebreakers now under construction for the Soviet Union. Another speciality at Wärtsilä is passenger vessels, particularly car-passenger ferries and cruise liners. The world's biggest cruise liner, the P and O's "Royal Princess," was built at Wärtsilä's Helsinki yard.

During the past 20 years Wärtsilä has built one-third of the world's cruise liners, which makes it the market leader.

With its turnover of Fmk 3,800m ($580m) Wärtsilä's yards are the flagship of the Finnish industry, but Rauma-Repola, which last year built vessels and more notably oil drilling rigs for Fmk 2,200m ($340m), has gained importance lately.

At the turn of this decade the company suffered badly because of lack of orders, but during the past 12 months or so it has bounced back. This was achieved mainly by securing a substantial jack-up rig order from the Soviet Union.

Although it has built a number of cargo vessels, oil drilling rigs have become the company speciality. Rauma-Repola has, for example, made more semi-submersible rigs than any other yard in the world.

Valmet's fortunes have also turned round recently. At the time when the group's shipyards were practically welding the last plates, a sudden burst of orders arrived last year and will keep the yards busy well into the future. Present orders include five cargo ships for the Arctic regions of the Soviet Union as well as a passenger vessel for cruises off Stockholm.

Valmet has specialised in building ice-strengthened special-purpose cargo ships although it has cast eyes also on off-shore markets. The cruise ship order was the first of its kind for Valmet and it means stepping on "Wärtsilä territory" but Valmet believes that there is plenty of room for both the companies. The total turnover of Valmet's yards last year stood at Fmk 1,200m ($185m).

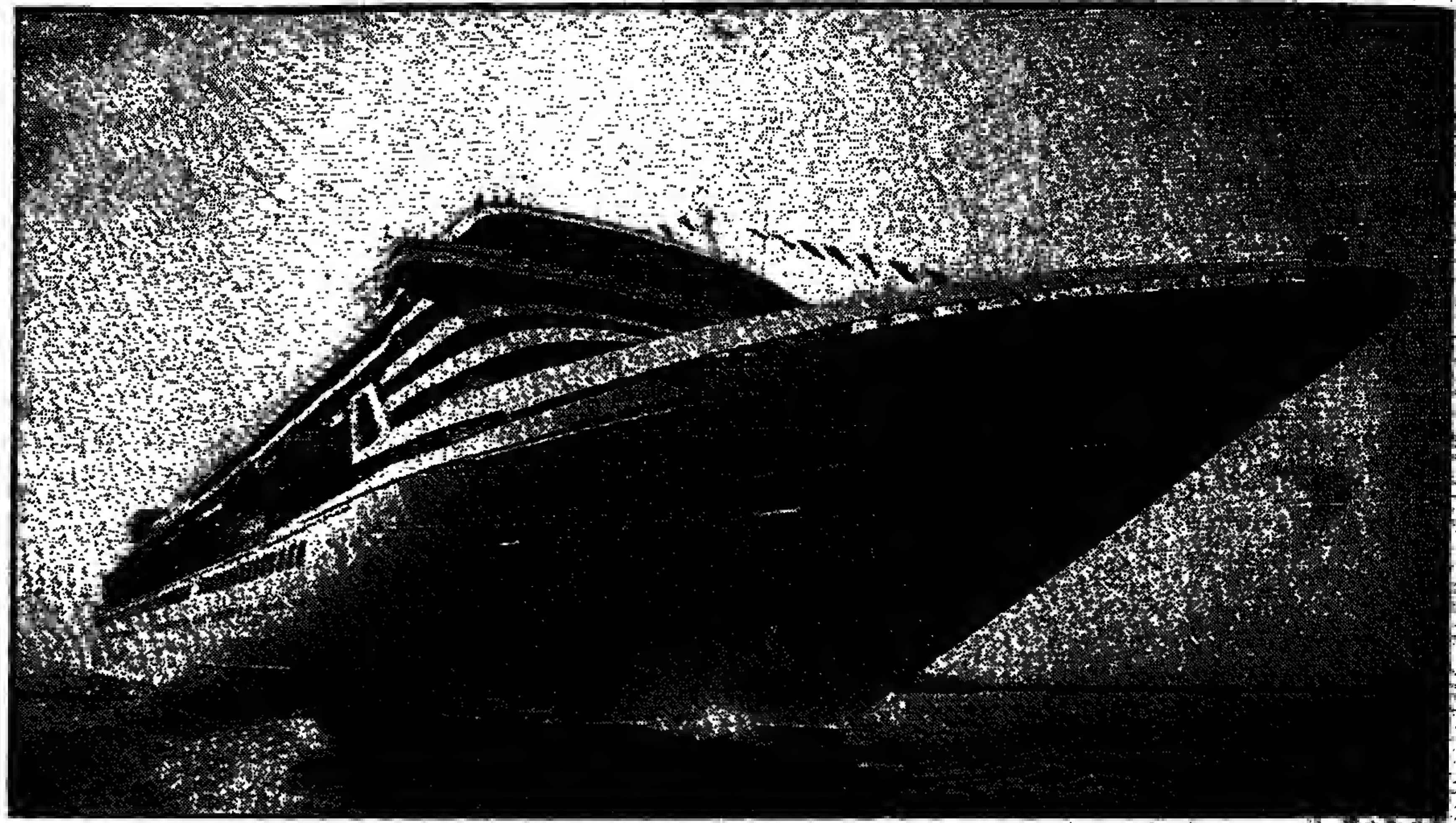
The fourth company, Hollming, differs from the others in being the only one which clearly depends on shipbuilding. While the others are multi-branch groups with less than half of the total revenues coming from shipbuilding, the family-owned Hollming has no other activities. Hollming is also most dependent on trade with the Soviet Union which last year bought some 90 per cent of the company production.

Hollming's speciality is research vessels which are not large in size but nevertheless require plenty of man-hours to complete.

All in all Finland's shipbuilding is very labour intensive with high value added. Calculated in terms of compensated tonnage, which measures the intensity of work in the production of a vessel, Finland is second only to West Germany in Europe.

Hugh Routledge

The Royal Princess under construction at Wärtsilä's Helsinki yard. The aft section is yet to be fitted.



Hugh Routledge

P & O's new luxury cruise ship, the 45,000-ton Royal Princess, built by Wärtsilä. The world's biggest cruise liner, the Royal Princess made her maiden voyage from Southampton last November

PROFILE: NAUTOR BOATBUILDING COMPANY

Changing fortunes in top sailing market

Even for the builders of the best sailing boats in the world, service must be an essential part of the strategy. Nautor, the makers of Swan yachts, are widely regarded as the world leaders in production-line quality boats. But despite their superiority in standards, the company has had to endure some stormy seas recently, partly because of insufficient emphasis on marketing requirements.

Last year, however, its fortunes seemed to turn. Nautor's managing director, Olle Enmes, attributes this largely to a deliberate effort to respond quicker to customers' wishes. According to Mr Enmes, Nautor was too rigid and production-oriented and it did not quite have the proper feel of the market.

Being production-oriented is no wonder for Nautor, or the dozens of other quality boat makers in the Pietarsaari area on the western coast of Finland where the boatbuilding tradition is centuries old.

Nautor's story began in 1966 when sailing enthusiast Pekka Koskenkylä signed a contract with one of the most famous names in boat design, Sparkman and Stephens. Koskenkylä's new company Nautor was able to deliver quality vessels and subsequently its sales took off.

Later Nautor also commissioned other well known names, such as Rod Holland and German Frers, to design their boats and this brought fame to the Finnish company, too.

In the 1970s Nautor, the company of boat enthusiasts, became troubled by marketing problems and was acquired by Schauman, the forest industry group.

> The Sea Finland exhibition, which opens today at Britain's National Maritime Museum at Greenwich, brings together exhibits which show how Finland's affinity with the sea has helped shape the country's development.
>
> The event, which runs to the end of the year, illustrates Finnish maritime experience through its trade, fishing, naval battles, and the modern ship and boat-building industry.

Although the Swan is a production-line boat purpose-built for pleasing sailing, it has often beaten lighter racing yachts in a number of important ocean races, including the first Whitbread Round The World Race in 1970.

This year another Swan will take part in the same race, crewed by a Finnish team and sponsored by the Finnish chocolate and sweets company Fazer.

Entering competitions—and doing well in them—gives an important boost for the image of Swans and it is important to Nautor for other reasons, too. It gives valuable information for further development which one-off competitors cannot give.

This translates to a boat closer in touch with market requirements. The same objective is reached through Swan regattas, held in Sardinia, California and Cowes in Britain.

Last year clearly bore fruit in Nautor's campaign to make production more flexible. Order books have now swelled so much that if you place an order today you are considered lucky if you can get delivery by the end of this year.

The most expensive Swan, at $1.2m, which was launched in 1980, has become quite popular and the latest standard boat, Swan 59, really hit the market in the soft spot.

But the best example of Finnish craftmanship, a 100 ft long Swan, is still on the production line. Ordered in April by a secretive client the giant sailing vessel will be delivered in October 1986 and based in the Caribbean.

Nautor delivered a total of 44 boats last year against 41 in 1983. Turnover rose by 9 per cent to FM 81m ($12.5m). The biggest single market for Swans is the U.S. which takes 40 per cent of total production. European countries, led by Sweden, West Germany and the UK, share another 58 per cent of the Swans.

Olli Virtanen